DUN'S REVIEW

MAY 22 1939

XXVIII of a series of Century old cities - Los Angeles

Published by
DUN & BRADSTREET, INC.
ESTABLISHED 1841

Thirty five cents

May 1939

This Month's Cover

LOS ANGELES

When the lithograph reproduced on the front cover was drawn by Charles Koppel for the War Department in 1853, Los Angeles had been a part of the United States for only seven years. Set down between the San Gabriel Mountains and the Pacific, the bleak home of a scant 5,000 persons gave little promise of becoming the colorful city of commerce and moviedom which it is today. . . . In 1769 an expedition under Gaspar de Portola discovered on this site an Indian village called Yang-na. Some twelve years later Spanish pioneers established the first white settlement nearby, calling it Nuestra Señora La Reina de Los Angeles (Our Lady Queen of the Angels)—in time shortened to the present name. Under Mexican rule the town alternated with Monterey as capital of California. It was taken for the United States in 1846 by Commodore Stockton. . . . This print from the Phelps Stokes Collection is reproduced through the courtesy of the New York Public Library. . . . Los Angeles, aerial view above, lies in the midst of a rich agricultural country; in the vicinity are oil fields and mineral deposits. Its leading products are fruits, vegetables, nuts, and food preparations. Manufactures include glass, chemicals, machinery, and petroleum products. Nearby, and municipally a part of the city, is Hollywood, the center of the motion picture industry. . . . The harbor at Long Beach is one of the nation's largest in ocean tonnage; the Panama Canal has brought it close to the direct route of vessels sailing from the Atlantic to the Orient. . . . In every decade except one since 1870 the number of inhabitants has more than doubled. From 577,000 in 1920 its population had grown to 1,354,000 by 1933, to make it the fifth city in size in the United States.

DUN'S REVIEW
for
MAY, 1939

KRAFT PAPER MILL, PANAMA CITY, FLA.—CUSHING PHOTO

Los Angeles in 1853 - - - - - - Cover

Credit—Man's Confidence in Man - - - 4

Teamwork for Prosperity - - - - - - 6
BLACKWELL SMITH
A plan for industry and government co-operation looking toward the control of business cycles.

Changing Distribution Channels - - - - 10
WILLARD L. THORP
How much ground has the wholesaler had to yield to direct manufacturer-to-retailer selling?

1938 Sales and Inventories - - - - - 13
SURVEY OF BUSINESS TRENDS
This final report includes figures for 48 industries and for 20 wholesale and 44 retail trades.

Humor and Good Humor in Advertising - - 25
ARTHUR H. LITTLE
Advertising humor as an opportunity and a challenge for managerial courage and originality.

Is Big Business Getting Bigger? - - - - 28
EDWIN B. GEORGE
The second in a series of articles on diverse aspects of concentration in American industry.

The Business Diary—March, 1939 - - - 37

The Trend of Business - - - - - - 38
Brief reviews of production, trade, and prices.

Trade Index Turns Upward - - - - 40
Indexes of trade activity for the United States and 29 regions to help in checking regional sales.

Analyzing the Record of Industrial and Commercial Failures - - - - - - 46

Significant Business Indicators - - - - 49

Through the Statistician's Eyes - - - - 50
Odd items from the month's record: Injuries; Non-Farm Foreclosures; Wages; Municipal Employees.

Here and There in Business - - - - - 52

Over the Editor's Desk - - - - - - 57

Conservation - - - - - - - - 58
WILLARD L. THORP
Editor of DUN'S REVIEW

¶ For those interested in the prints of century-old cities appearing on the covers of DUN'S REVIEW, the publishers have arranged to provide mounted copies suitable for framing. Not all back numbers are available. Orders for copies of prints on current issues should be placed promptly and accompanied by check or money order. For prints set off by an appropriate French mat 13½ x 14¾ inches ready for framing the charge is $1. For prints mounted and framed, with glass, the charge is $3. If in New York City, add 2 per cent sales tax. . . . ¶ Information about subscription rates will be found at the bottom of page 57. . . . ¶ Second cover photograph of present-day Los Angeles by Fairchild Aerial Surveys, Inc.

CREDIT

Credit

Man's Confidence in Man

Symbolic of credit, the pioneer and the craftsman with mutual confidence clasp hands, in this bronze group executed by the New York sculptor, Georg J. Lober, N.A.

The figure at the left represents those on the frontiers through whose efforts the Far West was being settled when The Mercantile Agency was founded in 1841. At the right is the artisan, typical of all those in industry, who makes the goods that go out through trade on open credit to the remotest frontiers.

Between the two figures are the fruits and the implements of soil and of toil—wheat, vegetables, a plowshare and sledge, the wagon wheel, and—behind the wheel—barrels, boxes, and bales of manufactured goods.

A bas-relief of this statue is one of the features of especial interest in the exhibit of DUN & BRADSTREET, INC., *at the New York World's Fair. There it is placed in a pine panelled Colonial room, done in the motif of the days when the Agency first started. Below the bas-relief are the memorable words of Daniel Webster before the United States Senate, March 18, 1834:*

"Commercial credit is the creation of modern times and belongs in its highest perfection only to the most enlightened and best governed nations. . . . Credit is the vital air of the system of modern commerce. It has done more, a thousand times more, to enrich nations than all the mines of the world."

STEAM STREAMLINER—GENDREAU

TEAMWORK FOR PROSPERITY

INDUSTRY AND GOVERNMENT CO-OPERATION FOR CONTROL OF BUSINESS CYCLES

BLACKWELL SMITH
Wright, Gordon, Zachry & Parlin

By making available to the Temporary National Economic Committee and a proposed Bureau of Economics strategic information about its operations, industry—this article suggests—can play a major rôle in controlling business cycles. This is one of a series of articles on questions of importance to business, presenting opinions of men whose diverse backgrounds and points of view have created decided, and often conflicting convictions.

THE Temporary National Economic Committee—the so-called Monopoly Inquiry—is studying unemployment of men, machines, and money—or a study of business depression. A study of the cure of depression or how to attain prosperity is a one-sided approach to the control of the business cycle. The indispensable vital element in the functioning of both government and industry in the public interest and in any prevention of depression lies in more and better knowledge, more strategic facts, more promptly obtained, and more wisely used. This calls for collaboration between the TNEC, trade associations, and the Department of Commerce; such collaboration is the principal point of this discussion.

The big problem of our generation is how to control the business cycle—the tides of depression and prosperity—before they swamp and sink our economic boat. If we can solve this economic problem, purely political problems will shrink to relative insignificance. The solution, of course, would mean achieving and maintaining prosperity.

Admittedly, full prosperity probably cannot be grasped and held through all vicissitudes. There are such fundamental tendencies to fluctuation in the speed of economic activity that we probably always shall have economic tides. Furthermore, there are often uncontrollable, upsetting factors, such as war and drought. Incidentally, we may not want stable prosperity as much as we fear regimentation or dictatorship. On the other hand, the matter is certainly not hopeless on its face, because there are many aspects of the business cycle that seem potentially subject to control by co-operative means.

The realistic objective is to soften the swings of the business cycle. We can aim for relative stabilization of production and employment, and aim to achieve this on a relatively high inclined plane of prosperity—of course,

not on a dead level of satisfaction with what we have.

Students of the business cycle seem to be in general agreement that breakdowns in durable goods industries are strategic causal factors in the problem of the business cycle. The term "durable goods," as used here, includes producers' capital equipment such as locomotives, turbine generators, transformers, cable and motors, and consumers' equipment such as automobiles, refrigerators, ranges, and housing. Likewise, these students believe that changes in the speed of certain types of business activity produce forceful movements toward alternating prosperity and depression.

Excess Capacity

For example, late in the prosperity phase and just before the beginning of a depression we may be faced with this situation in durable producers' goods: activity to build new plants or expand existing facilities to meet prosperity demand has lagged behind the rising demand. Through gradual maturing of many efforts previously set in motion, expansion now has finally accelerated and has finally piled up a producing capacity in excess of current needs. Simultaneously, that excess capacity has been employed to build up stocks of consumers' goods also in excess of current needs. Even if this is not the case there will be two tendencies toward depression because of change of speed of economic activity.

In the first place, when the facts are fully realized, the relative excess of capacity will cause a large and perhaps sudden drop in the business of the durable goods industry supplying the machines. Those engaged in that industry will suffer unemployment of men and machines with the resulting endless series of effects leading toward depression.

In the second place, either the excessive stocks of consumer goods produced by the excessive producing capacity or the mere overhang of such excess capacity will eventually tend to weaken the price structure for such consumer goods. This will bring about a tendency of distributors and retailers and of other buyers of the goods to start buying on a hand-to-mouth basis, slowing down the replacement of inventories. This may bring about a drastic decrease in business activity in the industries using the producing equipment, which may be nondurable goods industries.

Consumers' durable goods—such as automobiles, refrigerators, ranges, and houses—may also be affected in this way. Most serious in this field, however, is the postponement of consumer buying, resulting from a changed psychological climate—uncertainty or fear replacing optimism. Postponement for a year or two of the purchase of refrigerators, houses, and cars throughout the country is in itself probably enough to precipitate a serious depression. The series of cumulative effects of reduced activity in these industries and their many affili-

SAMPLES OF DATA THAT BUSINESS MIGHT COLLECT AND SUBMIT TO THE TNEC

INVENTORIES: Assemble what data are available on inventory behavior at all stages of boom and depression. Unfortunately, adequate data are probably not available on most products, which spotlights the necessity for better information.

PLANT EXPANSION: Prepare such data as are available showing the significant facts about plant expansion of the industry or its customers; such items as dollars expended for major types of equipment, month by month, or quarter by quarter, throughout the previous boom and depression, perhaps plotted against the general indexes of business activity, electrical power consumption, etc.

CONSUMER CREDIT: Assemble significant data available on consumer credit utilized or outstanding month by month for the years prior to the depression and during the depression. Here again, unfortunately, data are probably not in good shape, which emphasizes the importance of better information.

NEW GOODS AND EMPLOYMENT: Select as many cases as can be isolated with reasonably accurate information of new products and new industries and the net increase of employment resulting from them. An effort should be made to show the conditions which caused their success and examples, if any, of new products which would now expand into new industries if conditions were right.

PRODUCT IMPROVEMENT: Prepare curves for each major product showing what has happened to it in terms of improvement of quality or service relative to price during the last decades, depending on what information is available. A basis for product improvement is hard to devise in some cases but can usually be worked out. An example is the comparison of kilowatt hours produced per pound of coal by turbine generators.

PRICE REDUCTION: Prepare curves for all major products showing the trend of decrease in price relative to the unit of product or service over the last many years. This is the converse of the first curve.

ated industries causes increasing unemployment and loss of buying power by the unemployed.

Stability of price is thought of by some business men as a means of holding industry on an even keel. Stable price in itself is not inherently good if production is widely fluctuating. Still, there is no doubt that a stable price or a stable price trend, if accompanied by stable production, is desirable from the point of view of preventing violent depression-boom alternations.

The most "official" Government economic theory on price stability has been that holding price has meant losing production and that therefore flexible price is essential to maintaining production. The main point against this theory as applied generally and so far as durable goods are concerned, however, is that flexibility of price does not give the assumed advantages. If, during shaky business conditions, price drops on durable goods, buying can and will be postponed until buyers feel assurance that prices in general are not going to drop farther.

The real desideratum in price as well as in production is relative stability, of course always with the possibility of long-term trends.

Recovery

Finally, we come to what, with good luck, might be the bottom of the depression or some stage in recovery, as at present. During the recovery phase durable producer and consumer goods are again of special strategic importance. As replacements of exhausted inventories accelerate, industrial equipment must be brought up to par as quickly as possible to make up for the delays, depreciation, and obsolescence of depression. If replacements have been delayed, we may have the same spectacle of a lagging expansion finally accelerating rapidly, largely financed by expanding credit, and piling on top of other expansion to the point of relative over-capacity and over-production.

The keys to the business cycle and the control of it depend on information. Just now a great wealth of it is being gathered for the Temporary National Economic Committee. But the TNEC, as the word "temporary" in its name implies, should be merely the beginning. A major part in actually controlling business cycles may also be played by the principal trade associations with proper informational programs, working closely with private institutions of study and the Department of Commerce.

Industry has much to gain and little to lose from collaboration with the TNEC, for the files of the Government already contain examples of such accidental departures from propriety as may have occurred, and it knows very little of the healthy side and the potential contribution of industries to prosperity and healthy stabilization.

The TNEC staff is hard pressed now to do the things it feels must be done this Spring and that are laid out ready to do, so there is a relatively slight chance of presenting a large amount of industry material now, but—assuming added appropriations—the long pull of the investigation has hardly started.

In the long pull what the TNEC ought to want from industry and ought to get from each important industry are reasonably adequate samples of the healthy side of industry and any clues as to a possible program bearing on control of the cycle—or, if you will, bearing on depression, its prevention and cure.

No one industry can contribute any great proportion of the materials or the answer, nor yet can the sound answer come without the contribution of industry. Such matters as the timing of plant improvement and expansion of an industry and of its customers' industries, expanding and contracting consumer credit, expanding and contracting inventories, speculative gyrating prices *vs.* stable prices with up or down trends, the timing of introduction of new or improved goods and services, etc., have much to do with modifying depression and with any possible control of the business cycle. And study of this subject which does not seek clues on such points from all major industries and weigh them to see what it has when it finishes will hardly be worthy of the name.

On the other hand, industry and those dependent upon it are the ones who really must care whether this is done or not, because if the problem is unsolved or if we are not set on the road to solution by the TNEC, worse political moves will follow.

Industry Studies

Each major industry should assemble its own facts, start on its own study, and search out the clues it has to offer on such points, choosing important and dramatic examples for public consumption. To say all that should be done in advance of a search for the most helpful and dramatic examples would be impossible and to outline all that might well be done would be the subject of a long discussion in itself. Some important things to do are shown on the preceding page. If this is done on a wide front, much good may come of it.

There remains the broader question of what institutions and activities other than TNEC should be grappling with the problem of prosperity, its achievement and maintenance, now and after TNEC folds up.

On the Government side, it has been suggested that a Bureau of Industrial Economics be set up. There are many reasons why it should be set up, and why it should be set up in the Department of Commerce, to absorb and to expand the statistical agencies there. A Bureau of Industrial Economics that properly discharged its job would, among other things, provide information of a high degree of practical utility, and constantly fresh, on such matters as production, price, inventory, sales, and consumer credit in all quarters of the economy.

If such information were obtained and available constantly, and properly brought home to those concerned with

policy formation in industry and in Government, it should be possible to prevent cumulative excesses of speculative buying and over-capacity and production at a given moment. If this occurred then potent influence could also be brought to bear to prevent excessive speculative selling and retrenchment, in view of the sound relationship that had been maintained in the first respect.

Trade associations enter here in two vital respects: In the first place, the proper devices for obtaining information should be worked out between Government and the trade association for each industry. Strategic factors differ for each industry and the industry itself knows most about what its most strategic products are. For workability, bell-wether products and strategic products must be selected, so that there may be speed and simplicity of reporting the facts, and analysis and use of the results.

In the second place, the practical use of information and bringing it to bear where it needs to be brought should be worked out between the Government and the trade associations. Restrictive agreements might seem advisable at times where activities were running out of bounds preparatory to a new depression, but such a governor on unbounded swings on the topside can only safely be conceived with Government co-operation. Team play between a Bureau of Industrial Economics and all the major industry associations, or, as a matter of fact, any one major association, so far as its industry was concerned, could produce tendencies toward more stable expansion and soften tendencies toward depression.

Through Facts

In the light of facts, up to the minute and practical, as to inventories and rates of production and sales and the trends of price and consumer credit, industry action might become, in self-interest, stable enough to avoid wide swings of speculation and deflation.

This may be looked at as visionary. If its status goes no farther than preaching by idealists it will, of course, remain a vision, but there is no need for such arrested development.

Finally, let us consider briefly one of the major issues at stake in the presently formative Federal policy toward industry. The Government has thought for almost 50 years primarily in the terms of repression of supposed abuse. Criminal and civil penalties have been set up and rights of injunction and cease and desist orders given to various agencies to prevent industry from doing what it should not. All this is negative.

Positive Action

On the other hand, the prosperity of the country and prevention of depression must be achieved by industrial expansion on a stable base of healthy business activity. These things should be considered in terms of stimulation and encouragement of the proper kind of affirmative action on the part of industry. For years there has been little effective machinery in the Government to do this sort of thing until the recent apparent emphasis in the Department of Commerce.

If the TNEC goes the normal way, this great economic inquiry may well net us primarily new negative laws such as Federal licensing, designed to prevent supposed abuses of various sorts, such as a law against supposed abuse of the patent privilege; new laws to make business executives personally feel the force of penalties for violation of the anti-trust laws; new statutory definitions of what industry will not be permitted to do; and new and perhaps much-improved enforcement machinery or greater appropriations for present enforcement machinery. All this may be all right if it doesn't go to extremes of strait-jacketing in efforts to specify particularly where the line falls over which industry must not step, but yet on any theory it falls short of grappling with the problem of healthy ex-

GEORGE M. BREWSTER & SON'S PLANT, BOGOTA, N. J.—CUSHING

pansion of industry and prevention of depression.

On the positive side in connection with the TNEC's inquiry, the thing on which to build for the long pull is its possible sponsorship of a Bureau of Industrial Economics, a sort of triborough bridge between TNEC, the Department of Commerce, and industry. The new Secretary of Commerce may bring this about without TNEC. The new agency, however, may be a relatively sterile, old-fashioned statistical agency or a vital force, depending on the way trade associations step into the breach to help it get set up, to vitalize it, and to co-operate with it.

While this does not argue against compulsion to obtain compliance with the laws that are necessary to prevent abuse, the attention of the TNEC and the country should be focused on the positive job of stimulating healthy business activity and preventing tailspins. Everything should be done that can be done to bring about successful achievement along this line. Compulsion or repression cannot be employed usefully in the positive achievement of sound industrial expansion and prosperity. The influence of proper collaboration between a new Bureau of Industrial Economics on the one hand and trade associations on the other hand might, however, be of enormous value. If this sort of thing is not undertaken, the energies of Government and business may continue to be frittered away on continued embitterment along trust-busting lines.

If this vision can be clearly seen and acted upon by the principal associations in American industry, it may help to move us forward toward wholesome prosperity and perhaps not only to grasp but to hold a measure of that prosperity which after ten years still remains "just around the corner."

CHANGING DISTRIBUTION CHANNELS

THE WHOLESALER'S SHARE IN THE MOVING OF GOODS

WILLARD L. THORP
Director of Economic Research
DUN & BRADSTREET, INC.

ALONG the process whereby raw materials are transformed into commodities in final consumers' hands, there are many functions which inevitably must be performed, regardless of the nature of the economic organization. Economists frequently summarize them as the creation of form, time, and place utilities. These are by no means the same for all products or for all consumers. Financing the consumer by the installment plan has not yet been extended to cigarettes, nor do all automoble purchasers pay as they ride. The importance of style and design, so dominant in the millinery industry, has not yet emerged with equal force in the case of oyster packing, and bread seems to require more advertising than butter.

Assuming such variations to exist, it remains true that for any particular raw material-to-product sequence, there is nothing inevitable with regard to the location of the various functions within any existing pattern of economic enterprises. The entire process may be under a single control, as in the case of the farmer who optimistically sends eggs direct to customers by parcel post. It may be round about and subdivided among at least a dozen intermediaries, as in the case of transforming raw cotton into a house dress. Often there are many channels all in simultaneous operation—a single manufacturer of rubber tires may sell to wholesalers, to mail-order houses, to a filling station chain, to large fleet buyers, to independent retailers through his own wholesale branches, to his own retail stores, and direct to his own employees.

A consideration of changing distribution channels must record not only the continued contest among the various routes to the consumer but also the shifting location of functions along the different channels. Advertising, for example, may be undertaken by the manufacturer, by a co-operative arrangement between him and the retailer, or by the retailer himself. Inventory may be carried at any of several points. The function of determining the retail price may, through the operation of resale price maintenance contracts, be shifted from the retailer to the manufacturer. In the case of State laws establishing minimum prices or mandatory mark-ups, even State legislatures have taken a hand in what has historically been a function of the retailer.

The complicated character of present-day distribution is the result of the many interrelated forces which make our economic system dynamic. Since the operating unit of retail trade can be no larger than its trading area, the growth of cities and the development of automobiles and roads have been

fundamental to the rise of large store units. Mass production has created national markets while the development of large-unit products, particularly the so-called consumers' durable goods, has encouraged many specialized types of selling. Merchandising has appeared as an art and competitive pressure resulting from excess productive capacity has made "selling" the concern of every business man. Not only have economic forces been exceedingly active but the various interested parties engaged in the struggle for survival have turned to the authority of government for aid, and more and more the problems of distribution are becoming the concern of our legislators. During the last decade, it is probable that more legislation relative to the processes of distribution than of manufacturing has been added to the statute books and survived court scrutiny. The battle of the channels is a national issue.

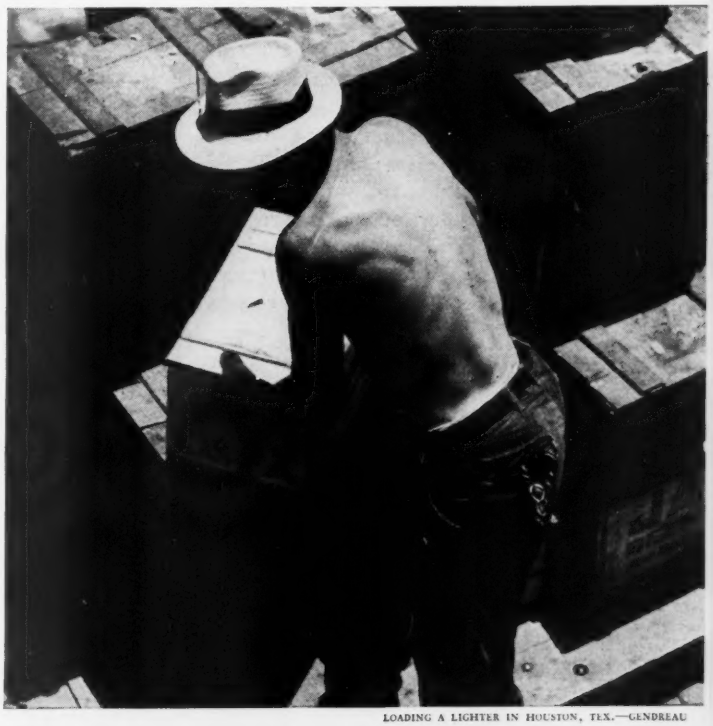
At the present time the ultimate consumer purchases from retailers about 90 per cent of the commodities which he buys. Another 5 per cent is obtained directly from manufacturers; about 3 per cent from farmers; and the remaining 2 per cent from wholesalers, importers, and other intermediaries. A very small fraction is purchased directly from fishermen, coal miners, and the like. Direct purchases from manufacturers, while small in the total, are important in a few fields such as bread, ice, ice cream, newspapers, corsets, window shades, and, of course, brushes. By and large, however, the overwhelming dominant channel to the consumer is via the retailer.

The real diversity in channels appears in the interval between the manufacturer and the retailer. The traditional double-play is manufacturer to wholesaler to retailer. The break with tradition is the shift to a direct flow from manufacturer to retailer with either or both absorbing the necessary functions of wholesaling. Warehousing, for example, has sometimes been undertaken by the manufacturer in the establishment of wholesale branches; in other cases, mass distribution such as the chains has established central warehouses for servicing their own outlets.

From the point of view of retailers, the picture disclosed by Census data for 1929 indicates that somewhat near 25 per cent of all commodities sold by them were purchased direct from manufacturers, about 68 per cent were obtained from wholesalers, including manufacturers' wholesale branches, and the remainder was divided fairly evenly between purchases from importers, miners, and farmers, and purchases from other retailers.

The most elaborate recent information available on channels of distribution is found in the Census blue-book, *Distribution of Manufacturers' Sales,* which data were collected concurrently with the 1935 *Census of Manufactures,* and compiled and published as part of the *Census of Business: 1935.* The record covers about $38 billion of so-called distributed sales, omitting intra-company transfers. Sales negotiated by agents or brokers are classified according to purchaser. For our purposes, the subdivision can be reduced to three groups: (1) sales to wholesalers and jobbers; (2) sales which by-pass the independent wholesalers and move through manufacturers' wholesale branches or direct to retailers; and (3) sales which by-pass both wholesalers and retailers, moving directly from the manufacturer into industrial or household consumers' hands.

Thus, for 1935, the Census report indicates that wholesalers and jobbers took 26.5 per cent of the total of manufacturers' sales. The direct channel to retailers accounted for 41.6 per cent, of which sales through manufacturers' wholesale branches accounted for slightly less than half. (It should be noted that to the extent to which these wholesale branches sell to independent wholesalers or to ultimate consumers, this figure is too high and the other components are too low.) Finally direct sales by manufacturers total 31.9 per cent, the bulk of which went to industrial and institutional consumers. Manufacturers' sales to household consumers, included in the above figure, were reported as 2.1 per cent and sales through their own retail stores at 1.7 per cent. These last items are undoubtedly too low, inasmuch as for individual industries the Census Bureau found it necessary to combine one or both with some other item in the industry report "to avoid disclosures of indi-



LOADING A LIGHTER IN HOUSTON, TEX.—GENDREAU

vidual operations," and they were not unscrambled in calculating the national totals.

On the basis of these figures it would not be unreasonable to guess that, in 1935, at least one-half of manufactured goods sold by retailers reached them without passing through the hands of independent wholesalers. The percentage varies, of course, by lines and among the various enterprises in each trade.

Of even more interest than the extent of the various channels is the question of the direction of recent trends. Records of manufacturers' sales were collected by the Census Bureau for both 1929 and 1935 and comparative totals were presented in the 1935 Census report, based upon industries which represented about three-fourths of the total value of distributed sales in 1935. While the underlying data give every evidence of presenting an accurate picture, industry by industry, close examination indicates that the summary figures are open to some question. For our purposes, they cannot be used because they are weighted according to the sales by each industry in each year, respectively, and thus reflect shifting industry importance as well as changing patterns in each industry. More important, however, is the fact that groupings to avoid disclosure were frequently different in the two years, but no corrrection was made to achieve comparability. Finally, some groups, such as iron and steel, showed general averages which are so widely at variance with the individual industry components as to suggest that comparable coverage was not perfectly preserved. Unfortunately, therefore, the Census summary cannot be used for the purpose of measuring general shifts in the channels of distribution.

Using the same basic data new calculations have been made based on the 90 industries for which a complete breakdown was given in both 1929 and 1935. They include 57 per cent of the total distributed sales by manufacturers in 1935 and therefore cannot be used to measure the actual level of each channel, but rather for the purpose of measuring change. Although the necessary calculations were rather elaborate, the results can be summarized in brief space:

DISTRIBUTION OF MANUFACTURERS' SALES
(For 90 industries—percentages of sales)

	Unweighted		Weighted	
	1929	1935	1929	1935
Wholesalers and jobbers..	37.3	33.2	29.4	26.3
Retailers' and manufacturers' wholesale branches	36.4	40.2	46.5	49.9
Direct to users or consumers	26.2	26.6	24.1	23.8

The unweighted averages regard the 90 industries as 90 cases of equal importance, while the weighted averages weight each industry in both years according to its 1935 distributed sales. The two sets of indexes suggest identical conclusions. The change in direct sales to users or consumers is negligible, moving up 0.4 per cent in the unweighted figures and down 0.3 per cent in the weighted. However, both measures show a definite shift in the direction of increased by-passing of the independent wholesaler in behalf of direct sales to retailers. Wholesalers lost 4.1 per cent by one index and 3.1 per cent by the other. Retailers gained 3.8 per cent by one and 3.4 per cent by the other. The importance of such a change is indicated by the fact that a transfer of 1.0 per cent from one group to the other means $400 million of business. One might therefore make a rough and unwarranted estimate that the indicated shift from 1929 to 1935 for all manufactured products may be in the neighborhood of $1.5 billion of sales per year.

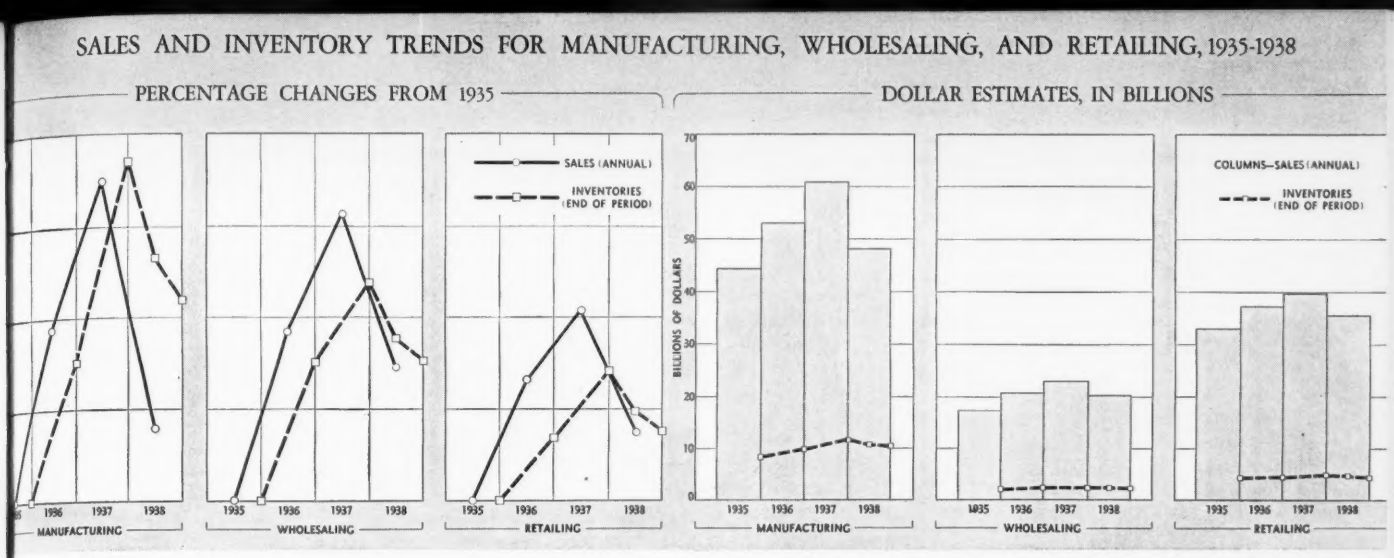
Such summary figures fail to disclose the variety of pattern recorded by the 90 individual industries. Wholesalers increased their activity in 21 industries and lost ground in 69. The cases of wholesaler gain are usually specialty industries—biscuits and crackers, confectionery, oleomargarine, shortenings, vinegar and cider, fur felt hats, candles, writing ink, buttons, cigars, window shades, and the like. The most important instances are petroleum refining and rubber tires.

Sales to retailers and wholesale branches gained ground in 66 cases, were unchanged in one, and declined in 23. The greatest gains in direct sales to retailers appear in the textile and leather products fields. Direct sales to consumers and users were more nearly balanced, rising in 47 cases, holding even in two, and declining in 41. The most frequent combination, as might have been expected from the indexes, is the decline of the wholesaler and the rise of direct sales to retailers.

Although it is not one of the 90 industries included, I wish to note here, too, the extraordinary record of the malt industry. In 1929, half its product went to industrial users, while one-quarter went to wholesalers and jobbers, and the other quarter to retailers. In 1935, 99.0 per cent of the malt output went to industrial users, 0.8 per cent to wholesalers, and 0.2 per cent to retailers. Thus, even constitutional amendments rechannel the processes of distribution.

There are various forces that act to affect changes in distribution channels, but they do not change readily. The services of the independent store meet a need. And the wholesaler cannot become extinct, because he provides necessary services to the independent distributor.

NEW L.C.L. MERCHANDISE CONTAINERS—EWING GALLOWAY



SURVEY OF BUSINESS TRENDS—1938

SALES *and* INVENTORIES

THE FINAL REPORT

How did 1938 sales compare with those of 1937? How big were inventories at the end of 1938 as compared with the end of 1937 and as compared with the half-way mark in 1938? In what lines of business did they run counter to broad basic trends? Answers to these and other questions important to business men are presented here in this final report on a nation-wide survey of the operations of 30,000 concerns in over 130 trades and industries.

"HOW did my sales level last year compare with that of my average competitor, and how about my inventory position? Were 1938 sales in other industries down as badly as in my own, or worse?" Every business man wants the answer to these questions. "What are the differences in the sales and inventory histories of the major business categories of manufacturing, wholesaling, retailing, etc.? What types of industries and trades suffer the sharpest sales declines, and which ones curtail inventories most rapidly during a recession? How unanimous are these mob-movements of business?" With these questions every student of the business cycle searches for ways to diminish the violence of our economic gyrations.

Final tabulations are now completed in the second DUN & BRADSTREET Survey of Business Trends, continuing the effort to supply answers to such questions as these and to keep a running record of what has happened. Out of returns from 40,000 enterprises about 30,000 were completely filled in and usable as a basis for the estimates. In addition the tabulations contain the experience of all listed corporations whose figures have been published to date.

The total 1937 sales volume of the concerns covered by the Survey exceeds $29 billion, a little less than one-fourth of the entire field of business transactions discussed. The largest coverage is in manufacturing where the Survey includes almost 35 per cent of the Census dollar volume. The coverage in retailing amounted to more than 16 per cent of the estimated total, in wholesaling and service lines it was just under 5 per cent, in contracting almost 6 per cent, and in mining over 8 per cent.

From 1937 to 1938 manufacturers' sales volumes fell off more rapidly than wholesalers' and retailers' sales; 20 per cent as compared with 13 per cent for wholesale trade, and 11 per cent for retailing. During the previous two years, 1936 and 1937, manufacturers' sales had climbed more rapidly than wholesale or retail volume; apparently momentum counts in the downhill slide.

Receipts of construction contractors, which had increased by more than 50 per cent from 1935 to 1937 fell off by 9 per cent in 1938. The estimate of about $2,300 million contract construction in 1938 is slightly below the 1936 level. Mines and quarries, which face the same economic problems as manufacturers of raw materials, report 1938 sales down 18 per cent from the 1937 level.

I. Sales and Inventories—1935-1938—Summary

(Final Revised Dun & Bradstreet Estimates)

	Census 1935	Trend 1935 to 1936	Estimate 1936[1]	Trend 1936 to 1937	Estimate 1937[1]	Trend 1937 to 1938	Estimate 1938
SALES	*Millions of Dollars*	*Per Cent Change*	*Millions of Dollars*	*Per Cent Change*	*Millions of Dollars*	*Per Cent Change*	*Millions of Dollars*
Manufacturing	44,994	+19	53,453	+14	60,710[2]	−20	48,494
Wholesale Trade	17,662	+18	20,894	+11	23,154	−13	20,176
Retail Trade	33,161	+13	37,472	+ 6	39,992	−11	35,593
Contracting	1,623	+49	2,410	+ 6	2,547	− 9	2,331
Mines and Quarries	3,650	+28	4,662	+17	5,440[3]	−18	4,462
Service (13 Trades)	3,060	+17	3,580	+ 8	3,863	− 5	3,675
INVENTORIES (End of Year)*							
Manufacturing[4]	8,653	+15	9,951	+19	11,851	−11	10,543
Wholesale Trade[4]	2,054	+15	2,368	+ 7	2,543	− 7	2,365
Retail Trade[4]	4,416	+ 7	4,717	+ 7	5,033	− 6	4,757

* Mid-Year Inventory Survey showed inventories as of June 30, 1938, below the 1937 closing levels by the following percentages: manufacturing, 8 per cent; wholesaling, 5 per cent; retailing, 4 per cent. Dollar estimates of inventories held by these respective groups on June 30 were: $10,938 million; $2,416 million; $4,852 million.

[1] "Revised Dun & Bradstreet Estimates" are estimates recorded in last year's Survey of Business Trends (Dun's Review, May, 1938) revised in some part after conferences with representatives of the U. S. Bureau of the Census and the U. S. Bureau of Foreign and Domestic Commerce on the basis of Bureau of Census statistics for 1937 which have since become available. In general the method used was to revise the 1937 Dun & Bradstreet estimates and then interpolate for 1936 according to previously established trends.

[2] U. S. Census of Manufactures; complete coverage, not an estimate.

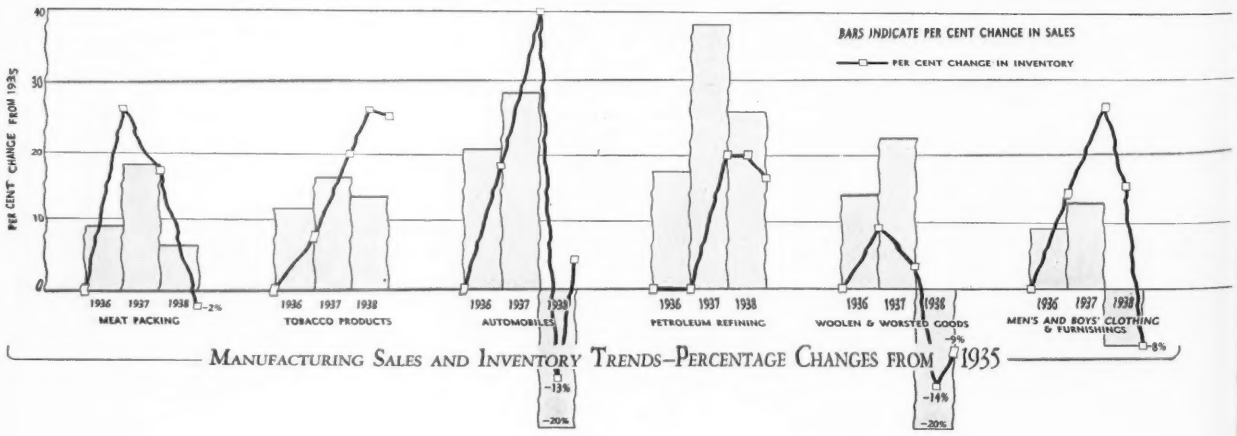
[3] 1937 and prior figures from *Mineral Yearbook, 1938*, Bureau of Mines, U. S. Department of the Interior.

[4] Computed from Census data. In the case of manufacturing inventories for 1935, 1936, and 1937 some revision was made with the help of income statistics of the U. S. Bureau of Internal Revenue.

Service industries held up remarkably well, with a shrinkage of only 5 per cent in 1938 receipts as compared with 1937. In all of these six broad groups of business the downtrend was reported by a majority of 60 or 70 per cent of the concerns with the remainder holding their own or recording moderate increased sales, with the usual rare outstandingly successful exceptions.

The inventory records of manufacturers, wholesalers, and retailers resemble each other in that percentage declines of inventory holdings in 1938 were in all three instances a little more than half the rate of sales shrinkage noted above. However, manufacturers completed the year 1938 with larger stocks relative to recorded and expected sales than did either wholesalers or retailers; mainly because of the extraordinarily rapid increase of manufacturers' holdings during 1936 and 1937. These average trends in the dollar value of inventories are the result of curtailments by only a few more than half of the concerns analyzed, with the remainder reporting no change or slight increases in the value of inventories. In all three of these major divisions—manufacturing, wholesaling, and retailing—the proportion of enterprises reducing stocks was smaller than the majority which suffered decreases in sales volume.

These averages for the major fields of business enterprise provide one sort of picture, but after all an average is obtained when anything is viewed far enough away to lose all human interest. From a distance it is possible to tell whether a crowd outside the baseball field is moving in for a game about to begin or out at the close, but it may not be possible to tell whether some groups walk faster than others, or to discern those few individuals who are hurrying along entirely counter to



Manufacturing Sales and Inventory Trends—Percentage Changes from 1935

the tide. In spite of the wide divergence of individual experience it is possible to discern that some industries and trades suffered a much sharper curtailment of sales than others, and that in some lines inventory figures reveal a more widespread effort to retrench than others. The differences are mostly in terms of trades; very few if any consistent differences can be found in the trends reported by large concerns as compared with small.

The tables show how these trade groups in the business crowd moved during 1938 and their degree of unanimity. Average percentage increases or decreases in sales and inventories are recorded along with dollar estimates of 1938 sales and closing inventories. In addition, for each trade, another column shows the percentage of concerns whose experience accorded with prevailing downward direction. It should be remembered that the story of business here is grouped by concerns, as business men have set it up, rather than in neat packages of commodities as a statistician might like to have it. Opposite the item "automobiles" in the manufacturing table appears the sales and inventory experience of those concerns primarily engaged in making automobiles, sales of which commodity were off by 47 per cent in 1938. In a number of instances, such as General Motors, these companies sell a variety of other products with considerable success, for our industry sales total was down by only 38 per cent.

The Survey shows trends in dollar values rather than physical units of commodities, since value is the only universal measure of the vast array of products of industry. Physical volume can be roughly calculated by applying appropriate price indexes; some of these indexes for important lines are reduced to yearly averages in table II. In many lines where the products can be handily measured in units, indexes and various series of figures are based directly upon reports of unit volume of production. A vast array of them appears monthly in the *Survey of Current Business*. Where they exist they are more satisfactory for the purpose of following specific commodities than an effort to view dollar sales through the trick mirrors of changing prices. The present Survey has its own distinct purpose of following the history of business enterprises rather than their products.

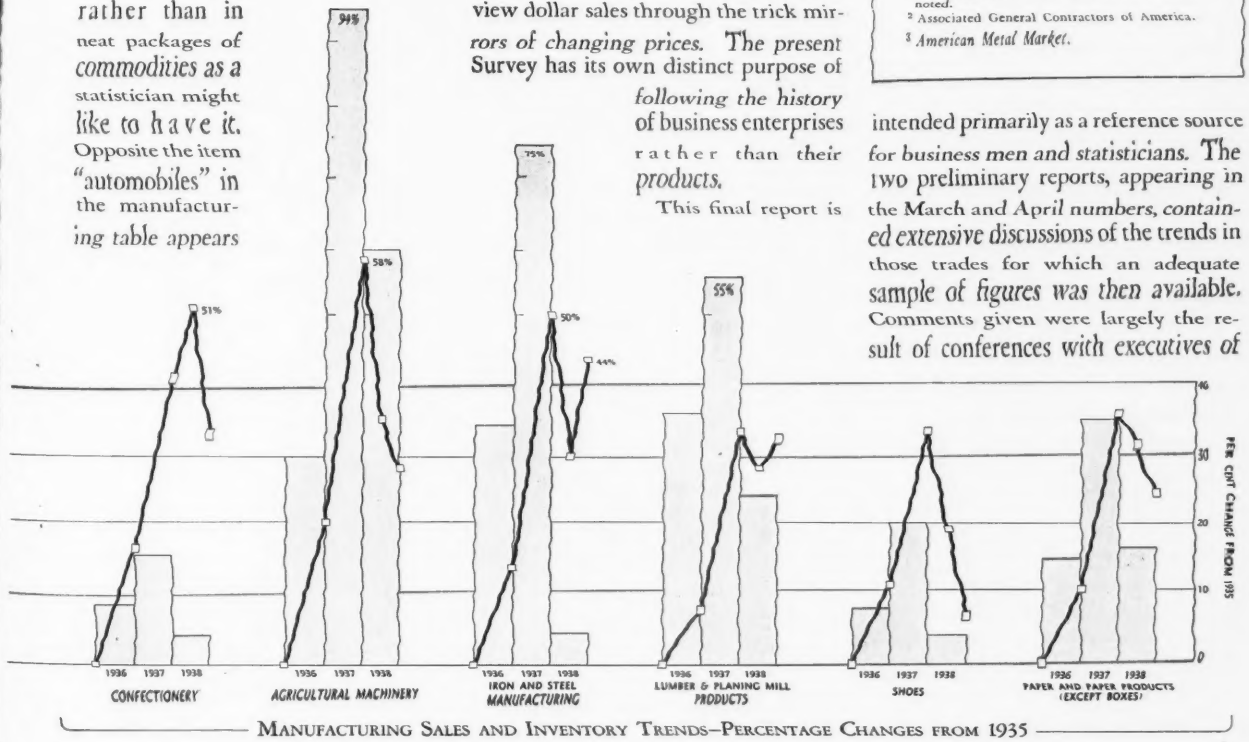
This final report is intended primarily as a reference source for business men and statisticians. The two preliminary reports, appearing in the March and April numbers, contained extensive discussions of the trends in those trades for which an adequate sample of figures was then available. Comments given were largely the result of conferences with executives of

II. Price Trends, 1937-1938[1]

(Differences in Annual Averages of Monthly Indexes)

STAGE OF MANUFACTURE	1938 Compared with 1937 Per Cent Change
Raw Materials	— 15.1
Semi-manufactures	— 11.7
Finished Products	— 5.7
Farm Products	— 20.7
COMMODITY	
Food (wholesale)	— 13.8
Food (retail)	— 7.2
Beef (fresh, native steers, Chicago)	— 25.1
Gasoline (tank wagon)	— 4.5
Petroleum Products	— 7.6
Cigarettes	+ 0.1
Textile Products	— 12.6
Clothing	— 5.0
Worsted Suitings (wool)	— 18.9
Cotton Prints	— 28.6
Shoes	— 2.9
Furniture	— 3.7
Construction Costs[2]	+ 0.5
Building Materials	— 5.3
Cement (Portland)	0
Metals (composite)[3]	— 1.8

[1] U. S. Department of Labor unless otherwise noted.
[2] Associated General Contractors of America.
[3] *American Metal Market.*



MANUFACTURING SALES AND INVENTORY TRENDS—PERCENTAGE CHANGES FROM 1935

leading trade associations and trade journals in the several lines covered. Late reports have caused very few significant changes in these earlier estimates and discussion of the same trades is omitted here or greatly abbreviated.

One or two additional cautions should be observed in the interpretation of the Survey results. Estimated sales are for the year 1938 and are compared with the year 1937. Inventories, on the other hand, are estimated in dollars at the close of 1938 and are compared with holdings at the beginning of the year.

The data for four years from 1935 through 1938 inclusive, used in making the charts along the bottoms of the pages, are derived mainly from the DUN & BRADSTREET Surveys. The earlier figures have been corrected where necessary on the basis of 1937 Census figures recently published.

Lastly, it must be remembered that high and low points of inventory holdings seldom coincide with year-ends. Inventories probably reached a lower point sometime during 1938 than is shown by our picture at the beginning of 1939. Such refinements of knowledge must come from the study of monthly inventory statistics (see DUN'S REVIEW, October, 1938).

Statistical methods used in compiling Survey results are such that the little enterprises have not been allowed to steal the show by mobbing it nor the big enterprises by overshadowing everyone else. Although fortune was not consistently kind to either the large or the small enterprises in 1938, they seldom fared alike in any particular trade. The calculations have been made in such a manner as to give the trend reported by each size group of concerns its proper weight as shown by Treasury and Census statistics—and each industry or trade its proper importance—in calculating the broad averages for major divisions of business. If this method were not used, for instance, the sales volume shown by available reports on steel making, automobile manufacture, and meat packing would dominate the manufacturing figures to the detriment of an accurate result—though doubtless a country which could subsist on the products of just these three industries alone would be ultra-modern and highly virile.

Manufacturing Industries

The aggregate sales volume of all manufacturers in the United States is estimated on the basis of Survey results at about $48 billion in 1938 or 20 per cent below the 1937 level. Sales shrinkage in several of the industries now tabulated for the first time was less alarming than the general run of downtrends among the industries analyzed

III. SALES AND INVENTORIES FOR 48 INDUSTRIES, 1937-1938

MANUFACTURING INDUSTRIES	Sales: Trend 1937 to 1938	Sales: 1938 U. S. Total[4] (Estimate)	Sales: Concerns Reporting Decreases	Inventories: 1938 Trend (Survey Sample)	Inventories: End of 1938 U. S. Total[5] (Estimate)	Inventories: Concerns Reporting Decreases
	Per Cent Change	*Millions of Dollars*	*Per Cent of Concerns*	*Per Cent Change*	*Millions of Dollars*	*Per Cent of Concerns*
FOOD	—10	10,665		**— 7**	**1,199**	
Baking	— 9	1,305	68	—14	73	61
Distilleries and Wineries	— 6	281	71	0	136	47
Beverages, Non-Alcoholic[3]	0[1]	277	50	+12	23	38
Confectionery[3]	—10[1]	418	75	— 7	65	54
Dairies, Creameries, and Milk Dealers	— 7	1,592	66	..	..	..
Meat Packing[2 3]	— 9	2,843	69	—16	269	58
Ice Manufacturing	—10	123	76	..	..	..
All Other Food Manufacturing[3]	—12	3,826	73	— 3	633	58
TEXTILES AND CLOTHING	—19	4,558		—14	848	
Woolen and Worsted Goods[3]	—34	707	78	—13	277	61
Cotton Textiles[3]	—21[1]	1,007	88	— 8	271	55
Silk and Rayon Goods[3]	—12	287	65	—19	52	65
Men's and Boys' Clothing and Furnishings[3]	—18[1]	970	83	—27	128	79
Women's and Children's Clothing and Accessories[3]	—10[1]	1,235	69	— 6	69	50
Hosiery	— 3	352	61	— 7	51	58
FOREST PRODUCTS	—22	1,907		— 2	553	
Lumber and Planing Mill Products[3]	—20[1]	941	77	— 1	301	49
Furniture[3]	—25[1]	498	86	— 5	139	52
Other Forest Products	—22	468	75	— 2	113	49
PAPER, PRINTING, AND PUBLISHING	—11	3,867		— 9	334	
Paper, and Paper Products (except boxes)[3]	—14[1]	1,420	76	— 9	284	69
Boxes, Paper[3]	—22	320	87	— 9	50	66
Printing and Binding (book and job)[3]	—12[1]	796	49	..	..	..
Newspapers and Periodicals (large)	— 5	1,302	70	..	..	..
Newspapers (small), with Printing	+ 3	29	33	..	..	..
CHEMICALS, DRUGS, AND PETROLEUM	—13	5,260		— 9	1,094	
Industrial Chemicals and Chemical Products	—16	2,003	73	—14	395	67
Drugs, Perfumes, and Cosmetics	— 4	467	66	—13	89	59
Paints, Varnishes, and Lacquers	—21	425	76	—12	111	76
Petroleum Refining	— 9	2,365	79	— 4	499	69
SHOES[3]	—13	671	88	—19	87	71
STONE, CLAY, AND GLASS PRODUCTS	—18	1,187		—13	236	
Stone and Stone Products[3]	—18	359	63	—10	77	49
Clay and Glass Products[3]	—18	828	68	—15	158	52

(Continued on next page)

earlier. As a result the decline in 1938, as compared with 1937, of total sales of manufacturing industry is estimated at 20 per cent instead of the 23 per cent shown in our preliminary report. Among the newly tabulated industries having a significant favorable effect on the total manufacturing trend were: petroleum refining; baking; dairies, creameries, and milk dealers; newspapers and periodicals; and industrial chemicals. Inventories at the close of 1938 are placed at about $10,500 million or 11 per cent below the value of holdings a year earlier. This decline only partially offsets the 37 per cent 1935-1937 increase. Totals of manufacturing plant inventories at the close of 1937 were released on April 15 by the Census of Manufactures—the first time such data have ever been gathered in a Census. Allowing for the announced 5 per cent shortage in their coverage, the amount comes to $10,586 million.

The DUN & BRADSTREET estimate of holdings by manufacturing corporations on the same date is $11,851 million. The difference appears to consist of such items as sugar refiners' inventories in Cuba, oil refiners' inventories outside the United States, coal held at captive mines by steel corporations; all excluded by definition from the Census of Manufactures. The Census gathers data by establishments; the present Survey uses the story of each corporation or enterprise as a whole.

Separate estimates are presented in table III for 48 industries as compared with 28 industries published in the preliminary report. The experience of more than 6,300 concerns is now available as compared with 3,900 concerns as a basis for the earlier estimates. Similarly, these concerns now represent over $21 billion worth of business as compared with $7 billion in the earlier sample (table IX). The coverage of the several industries ranges from 6 per cent of sales volume* in such lines as printing and women's clothing, characterized by a multitude of small enterprises, up to 71, 88, 88, and 100 per cent respectively in the meat packing, tire, automobile, and aircraft industries, where a large part of the total volume concentrates in the hands of a few listed corporations. As shown by a footnote to table III, eleven of the Survey estimates in the former types of industries have been adjusted to compensate the known statistical bias of small concerns. The method is described in the discussion of wholesaling.

The outstanding sales record of 1938 was chalked up by the aircraft and aircraft motor industry with 26 per cent larger volume than in 1937; only one in four concerns failed to

III. SALES AND INVENTORIES FOR 48 INDUSTRIES, 1937-1938—*(Continued)*

INDUSTRY	SALES: Trend 1937 to 1938	SALES: 1938 U. S. Total[4] (Estimate)	SALES: Concerns Reporting Decreases	INVENTORIES: 1938 Trend (Survey Sample)	INVENTORIES: End of 1938 U. S. Total[5] (Estimate)	INVENTORIES: Concerns Reporting Decreases
	Per Cent Change	*Millions of Dollars*	*Per Cent of Concerns*	*Per Cent Change*	*Millions of Dollars*	*Per Cent of Concerns*
IRON AND STEEL	−36	4,587		− 8	1,760	
Iron and Steel Manufacturing[3]	−41	2,464	100	− 4	1,144	81
Iron and Steel Products[3]	−35	401	79	−17	109	62
Structural Steel	−17	242	90	−21	43	68
Heating, Plumbing, and Air Conditioning Equipment	−24	550	86	−18	167	65
Hardware[3]	−30	688	78	−10	262	56
Foundries[3]	−39	242	91	−11	35	61
MACHINERY, ENGINES, AND TRANSPORTATION EQUIPMENT	−30	8,341		−21	2,057	
Electrical Apparatus and Appliances	−23	1,790	81	−24	424	60
Machine Shop Products	−32[1]	731	78	−10	211	47
Agricultural Machinery	−18	466	73	−19	185	46
Railroad Equipment	−47	217	100	−31	64	92
Aircraft	+26	180	26	−17	44	53
Automobiles[3]	−38	1,916	93	−25	326	93
Automotive Accessories and Parts	−37	1,315	83	−22	267	83
Office and Business Machinery	−13	253	70	− 8	86	63
Heavy Machinery (Engines, Turbines, Pumps, etc.)[3]	−23[1]	1,473	85	−19	450	64
MISCELLANEOUS	−19	7,451		− 8	2,375	
Non-ferrous Metals and their Products[3]	−26	2,076	85	− 8	538	58
Jewelry, Watches, Silverware, and Findings	−18	244	89	−13	73	53
Tires and Other Rubber Goods	−20	711	66	−20	232	68
Tobacco Products[3]	− 2	1,247	50	+ 4	679	44
Other Manufacturing	−20	3,173	75	−11	853	61
ALL MANUFACTURING	−20	48,494	72	−11	10,543	58

[1] Compensated on basis of trade association and other data. Sales trends of Survey samples were: Beverages—Non-Alcoholic +2, Confectionery −7, Cotton Textiles −19, Men's and Boys' Clothing and Furnishings −15, Women's and Children's Clothing and Accessories −8, Lumber and Planing Mill Products −18, Furniture −21, Paper and Paper Products (except boxes) −12, Printing and Binding (book and job) −9, Machine Shop Products −29, Heavy Machinery −20.

[2] Meat packing figures represent primarily fiscal year closings October 31, 1938.

[3] Final 1938 sales estimates in 18 industries differ somewhat from preliminary estimates. Upward revisions: Woolen and Worsted Goods, Cotton Textiles, Silk and Rayon Goods, Furniture, Paper and Paper Products, Iron and Steel Manufacturing, Automobiles, Heavy Machinery, and Non-ferrous Metals and their Products. Downward revisions: Confectionery, Lumber and Planing Mill Products, Boxes (paper), Printing and Binding (book and job), Industrial Chemicals, Clay and Glass Products, Iron and Steel Products, Hardware, and Foundries. Final estimates of inventory trends are revisions of preliminary data in 17 industries. Sharper curtailment: Woolen and Worsted Goods, Silk and Rayon Goods, Lumber and Planing Mill Products, Paper and Paper Products, Shoes, Clay and Glass Products, Iron and Steel Products, Automobiles. Less curtailment: Beverages (non-alcoholic), Confectionery, Meat Packing, All Other Food Manufacturing, Cotton Textiles, Men's and Boys' Clothing and Furnishings, Women's and Children's Clothing and Accessories, Boxes (paper), Non-ferrous Metals and their Products.

[4] Dollar sales totals projected from "Value of Product" as shown by U. S. Census of Manufactures, 1937.

[5] Dollar inventory totals projected from estimated 1937 closing totals on basis of DUN & BRADSTREET and U. S. Bureau of Internal Revenue income statistics. Amounts exceed 1937 Census totals in many industries; see text for discussion.

* Lower coverage of machine shops is believed to be balanced by better coverage of foundries, classification of these two groups being difficult.

increase its sales. The only other instance of increased volume of receipts was reported by newspaper publishers in small towns and rural areas, with 3 per cent larger gross in 1938 than in 1937. Soft drink bottlers, with no change, also made a good showing. In comparison with the average for all industry, the larger publishing enterprises also report favorable experience, with receipts only 5 per cent lower than in 1937. This group includes several of the leading magazine publishers and a substantial number of newspapers in the larger cities. Other similar records are the tobacco industry with only 2 per cent decline in sales, the hosiery industry with a 3 per cent reduction in sales, and the makers of drugs, perfumes, and cosmetics with only 4 per cent lower volume.

At the opposite extreme are the makers of railroad equipment with 1938 volume only a little more than half as great as 1937. Sales in the steel, automobile, and automobile parts and accessories industries all declined by about 40 per cent and in the wool textile industry by about 35 per cent. In practically all instances where increased sales are estimated for the industry the majority of the reporting concerns participated; and the outstanding decreases in the industry group averages resulted similarly from downturns in the sales curve of an exceptionally high proportion of the concerns analyzed.

The only group whose inventories increased during 1938 were cigarette makers and soft drink bottlers; the rise in stocks does not seem alarming in view of their well-sustained sales volume. Distillers who have been steadily building up stocks since the repeal of prohibition have apparently accumulated the desired backlog for aging and no further increase was reported in 1938. The industry's sales volume had dropped by

IV. Sales and Inventories for 20 Wholesale Trades, 1937-1938

Wholesale Trades	Sales: 1937-1938 Trend — Survey Sample	Sales: 1937-1938 Trend — Compensated Estimate	Sales: 1938 U. S. Total[2] (Estimate)	Sales: Concerns Reporting Decreases	Inventories: Trend During 1938 (Survey Sample)	Inventories: End of 1938 U. S. Total[2] (Estimate)	Inventories: Concerns Reporting Decreases
	Per Cent Change	*Per Cent Change*	*Millions of Dollars*	*Per Cent of Concerns*	*Per Cent Change*	*Millions of Dollars*	*Per Cent of Concerns*
FOODS AND BEVERAGES		— 10	6,378		— 1	568	
Confectionery	— 2	— 5	130	62	— 5	10	50
Dairy and Poultry Products	— 4	— 7	609	60	..	..	..
Groceries[1]	— 7	— 10	2,059	79	— 6	287	65
Meat and Fish	— 5	— 8	632	63	+ 10	21	44
Produce and Fruit[1]	— 8	— 11	1,069	70	+ 10	44	52
Alcoholic Beverages	— 9	— 12	870	56	+ 10	125	36
Other Food and Grocery Specialties	— 9	— 12	1,009	68	— 3	81	50
DRY GOODS AND APPAREL		— 13	1,649		— 14	313	
Clothing, Furnishings, and Shoes	— 7	— 10	669	77	— 10	108	69
Dry Goods (general line)[1]	— 14	— 15	980	79	— 16	205	69
LUMBER, BUILDING MATERIALS, AND HARDWARE		— 16	1,091		— 4	244	
Lumber, Millwork, and Other Building Materials	— 15	— 18	602	79	— 3	110	61
Hardware[1]	— 11	— 13	489	85	— 5	134	67
DRUGS	— 6	— 6	504	59	— 3	77	44
PETROLEUM AND PETROLEUM PRODUCTS[1]	— 1	— 2	173	46	— 2	11	56
AUTOMOTIVE EQUIPMENT[1]	— 5	— 7	490	56	— 2	122	52
SUPPLY HOUSES		— 20	1,338		— 5	264	
Plumbing and Heating Supplies[1]	— 14	— 18	312	79	— 6	64	51
Machinery and Equipment[1]	— 25	— 27	448	85	— 5	90	60
Other Miscellaneous Supplies[1]	— 13	— 15	578	70	— 4	110	51
ALL OTHER		— 14	8,553		— 11	766	
Electrical Goods and Appliances[1]	— 30	— 27	701	80	— 22	78	55
Paper and Paper Products[1]	— 11	— 14	449	74	— 8	76	65
Tobacco Products (except leaf)[1]	+ 1	— 1	936	49	+ 2	46	44
Other Wholesaling	— 19	— 14	6,467	76	— 11	566	53
ALL WHOLESALING		— 13	20,176	70	— 7	2,365	56

[1] Final 1938 sales estimates for the Machinery and Equipment trade differ somewhat from the preliminary estimate. Final estimates of inventory trends are revisions of preliminary data in seven trades. Sharper curtailment: Dry Goods (general lines), Tobacco Products (except leaf). Less curtailment: Petroleum and Petroleum Products, Automotive Equipment, Plumbing and Heating Supplies, Electrical Goods and Appliances, Paper and Paper Products.

[2] Dollar totals projected from *Census of Business:* 1935.

only 6 per cent according to the Survey results, yet Government figures showed a drastic curtailment in production of spiritous liquors; apparently necessary to prevent further accumulation. The lumber industry likewise reported practically no reduction of stocks during 1938.

The railroad equipment, men's and boys' clothing and furnishings, automobile, and electrical apparatus and appliances industries succeeded in curtailing inventories more rapidly than any other industries during 1938. The tire industry's 20 per cent reduction in inventory was exactly in step with its decline in sales volume. According to trade observers this was in part the result of a program for simplifying the assortment of sizes and types of tires to be made and carried in stock.

In each of the cases cited here of outstanding changes in the volume of inventory, the changes were the result of widespread trends among the concerns analyzed rather than the effect of unusual inventory policy on the part of a few large operators.

An average of the experience of the makers of women's clothing and accessories cannot adequately tell the story of this industry which caters to well-known feminine vagaries. For instance, trade reports suggest that production of popular-priced women's dresses fell off by from 8 to 15 per cent, quality dresses by only 5 per cent, whereas sportswear, skirts, and blouses may have enjoyed increased sales. A considerable number of the makers of the latter lines are included in the Survey sample.

Wholesaling

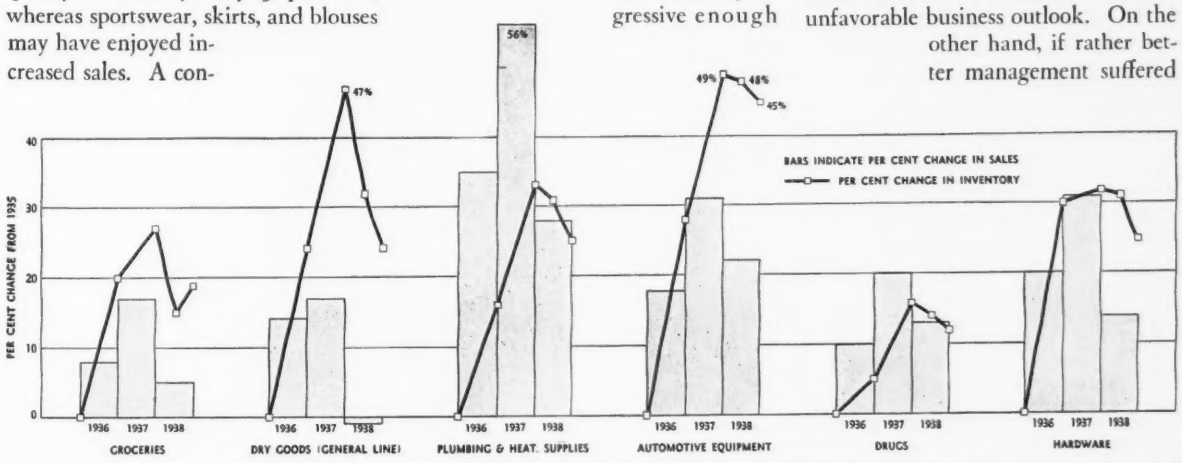
In 1938, sales volume of wholesale merchants (excluding agents, brokers, and commission houses) is estimated at about $20 billion on the basis of trends shown by the Survey sample. This is 13 per cent below the 1937 figure. Wholesalers' inventory holdings are estimated to have declined 7 per cent during 1938 to a value of about $2,400 million.

Separate estimates are presented for 20 trades as compared with the 12 trades covered by last month's preliminary figures. The experience of 2,300 wholesale concerns is now available as compared with 1,600 a month ago and their sales volume of more than $1,100 million is about double the amount represented in the previous estimate. This sample represents about 5 per cent of the dollar volume of all wholesale lines covered, and falls substantially below 4 per cent only in the wholesale confectionery and miscellaneous food groups which consist primarily of small enterprises.

Various tests have shown that voluntary reports come most frequently from those wholesalers and retailers who are pleased enough with their results to be willing to record them and progressive enough to be interested in comparing experience with other enterprises. For their convenience the sales trends typical of the experience of this type of "upper-crust" management are shown in table IV parallel to a column of "compensated" or adjusted estimates of the sales trend for their respective trades. This arrangement continues the presentation which was adopted in the preliminary reports, but which is no longer necessary in presenting most of the manufacturing trends because of the broad sample of manufacturing data available.

Wherever it was possible to do so qualified observers in the trade journal and trade association fields have been consulted in setting these compensated estimates of sales. All comments regarding sales trends in the individual trades are in terms of these compensated estimates; the trends shown by the Survey sample being left for the use of individual business men wishing to check their own progress against presumably better than ordinary management.

No basis is available for any similar adjustment of inventory trend estimates and probably such a procedure is less necessary in the nature of the case. It may well be supposed that competent management, typified by the average contributor, has inventories so well under control that they can be reduced in line with downward sales trends or an unfavorable business outlook. On the other hand, if rather better management suffered



WHOLESALING SALES AND INVENTORY TRENDS—PERCENTAGE CHANGES FROM 1935

V. Sales and Inventories for 44 Retail Trades, 1937-1938

Retail Trades	Sales: 1937-1938 Trend — Survey Sample (Per Cent Change)	Sales: 1937-1938 Trend — Compensated Estimate (Per Cent Change)	Sales: 1938 U. S. Totals[2] (Estimate) (Millions of Dollars)	Sales: Concerns Reporting Decreases (Per Cent of Concerns)	Inventories: Trend During 1938 (Survey Sample) (Per Cent Change)	Inventories: End of 1938 U. S. Totals[2] (Estimate) (Millions of Dollars)	Inventories: Concerns Reporting Decreases (Per Cent of Concerns)
FOOD		— 4	9,104		— 2	446	
Groceries (Independent)[1]	— 3	— 6	1,434	60	+ 3	144	41
Groceries and Meats (Independent)[1]	— 1	— 4	2,778	61	— 1	183	43
Groceries and Meats (Chain)	— 2	— 2	2,593	71	— 7	119	54
Meats and Fish	+ 1	— 2	679	45	..	..	..
Bakeries (Independent)	0	— 3	60	60	..	..	..
Bakeries (Chain)	— 4	— 4	61	33	..	..	..
Other Food and Beverage Stores	— 4	— 7	1,499	59	..	..	..
FARM SUPPLIES, GENERAL STORES		— 11	1,948		— 3	374	
Country General Stores[1]	— 6	— 9	1,151	67	— 3	253	53
Farmers' Supply Stores[1]	— 11	— 13	637	74	— 2	68	51
Farm Implements	— 15	— 17	160	75	0	54	44
GENERAL MERCHANDISE GROUP		— 6	6,062		— 6	1,000	
Department Stores (Independent)[1]	— 7	— 7	2,140	75	— 8	329	73
Department Stores (Chain)	— 6	— 6	1,485	100	— 9	173	80
Mail-Order Houses	— 4	— 4	997	100	— 3	192	75
General Merchandise and Dry Goods[1]	— 5	— 8	559	72	— 3	193	61
Variety Stores (Independent)[1]	+ 1	0	94	41	0	12	40
Variety Stores (Chain)	— 2	— 2	787	65	— 8	101	70
APPAREL GROUP		— 9	2,635		— 7	582	
Men's Clothing (with Furnishings)	— 11	— 14	519	84	— 11	157	72
Haberdashery	— 8	— 10	160	80	— 10	46	78
Women's Ready-to-Wear (with Accessories)	— 8	— 10	632	67	— 1	85	45
Women's Clothing and Accessories (Chain)	— 7	— 7	293	82	— 2	43	91
Lingerie, Hosiery, and Accessories	— 5	— 7	86	59	— 3	23	54
Family Clothing, including Children's Shops	— 10	— 10	364	76	— 7	94	65
Shoe Stores (Independent)[1]	— 2	— 5	285	64	0	71	49
Shoe Stores (Chain)	— 3	— 3	296	50	— 17	63	75
FURNITURE AND HOUSE FURNISHINGS		— 18	1,027		— 6	344	
House Furnishings and Floor Coverings	— 13	— 16	181	69	— 3	71	53
Radio, Electric and Gas Household Appl.	— 17	— 19	92	66	— 10	83	55
Furniture[1]	— 16	— 19	754	77	— 5	190	62
LUMBER, BUILDING MATERIALS, AND HARDWARE		— 11	2,222		— 1	584	
Lumber and Building Materials[1]	— 8	— 10	1,116	68	— 1	277	52
Paint, Wallpaper, and Glass	— 6	— 8	147	62	0	38	44
Hardware[1]	— 8	— 11	628	69	— 2	214	54
Hardware and Farm Implements	— 16	— 18	331	76	— 1	55	55
AUTOMOTIVE PRODUCTS		— 18	6,801		— 13	642	
Motor Vehicle Dealers[1]	— 25	— 27	3,806	90	— 17	464	73
Automobile Accessories (Independent)	— 1	— 4	229	49	+ 3	38	43
Automobile Accessories (Chain)	— 1	— 1	249	67	— 2	37	67
Filling Stations[1]	— 2	— 3	2,517	52	+ 1	103	38
ALL OTHER		— 16	5,794		— 2	785	
Restaurants and Other Eating Places (Ind.)[1]	— 3	— 6	1,462	62	..	..	..
Restaurants and Other Eating Places (Chain)	— 9	— 9	228	84	..	..	..
Drinking Places, Taverns and Bars	— 3	— 5	908	56	..	..	..
Drugs and Cosmetics (Independent)[1]	— 1	— 3	1,059	56	+ 2	241	40
Drugs and Cosmetics (Chain)	— 3	— 3	355	60	— 6	61	70
Coal and Other Fuel	— 11	— 11	948	73	— 7	72	55
Florists and Nurseries	— 2	— 5	117	57	..	..	..
Jewelry	— 11	— 13	243	63	— 2	167	51
Stationery, Books, Newsdealers	— 5	— 8	139	56	+ 1	22	43
All Other Retail Stores	— 6	— 69	335	64	— 6	222	..
ALL RETAILING		— 11	35,593	66	— 6	4,757	52

[1] Final 1938 sales estimates in four trades differ somewhat from preliminary estimates. Upward revisions: Men's Clothing (with Furnishings), Women's Clothing and Accessories (Chain), Shoe Stores (Independent). Downward revisions: Furniture. Final estimates of inventory trends are revisions of preliminary data in six trades. Sharper curtailment: Variety Stores (Independent), Men's Clothing (with Furnishings), Filling Stations. Less curtailment: Department Stores (Independent), Women's Clothing and Accessories (Chain), Shoe Stores (Independent).

[2] Dollar totals projected from *Census of Business*: 1935.

less than average sales losses, radical curtailment of stocks may have been undesirable. The relative weights of these competing forces cannot be measured, but their effect of neutralizing each other tends to increase the accuracy of the Survey's estimates of inventory trends.

Among the several wholesale trades, the best sales records in 1938 were made by the petroleum and tobacco wholesalers who suffered a negligible loss of business mainly because half of the reporting concerns held or increased their sales volumes. Similarly only a little more than half of the wholesalers of liquor and of automotive accessories suffered any shrinkage in 1938 sales as compared with 1937.

The greatest shrinkage in sales is reported by wholesalers of machinery and of electrical appliances and equipment whose volume was off 27 per cent from the 1937 level. Close behind them on the toboggan were lumber wholesalers with an 18 per cent decline. In two of the above mentioned lines, machinery and electrical goods, as well as in the dry goods and hardware wholesale trades, more than three-fourths of the reporting concerns lost volume in 1938, a substantially higher incidence of trouble than was recorded in other wholesale lines.

Alcoholic beverage and tobacco wholesalers increased their inventories during 1938, the only significant instance of accumulation among the wholesale trades covered. This was a consistent result of the fact that the majority of individual concerns had increased their stocks. This was also true in the drug trade, but reductions by some of the large operators shrank the total inventory holdings of the trade. Increased inventories among wholesalers of meat and fresh produce are not significant because of the rapid turnover and wide fluctuation in stocks from day to day.

Outstanding cases of inventory curtailment are the electrical and dry goods wholesale trades where inventories were depleted almost exactly in step with rather radical losses of sales volume. In the case of dry goods this was the result of rather general policy, since seven of every ten wholesalers had curtailed their holdings.

About the Survey

The Survey of Business Trends is based upon the 30,000 usable returns received from a mailing of questionnaires. The schedules asked for sales volume in 1937 and 1938, and inventories at the close of each year. They were edited to eliminate imperfect returns and answers by concerns not in business during the full two years.

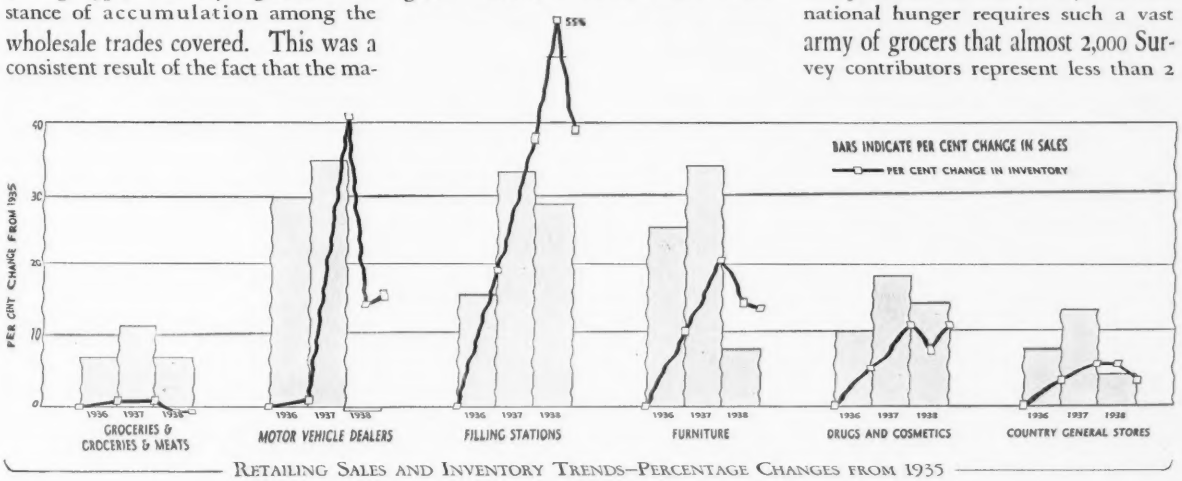
In compiling average trends for manufacturing, wholesaling, and retailing, the trend of each industry was separately computed where justified by the size of the sample. In assembling estimates each industry was given its proper weight, according to latest census figures. Classification of industries and trades follows closely that of the Bureau of the Census.

This project was undertaken by the Dun & Bradstreet Research and Statistical Division, supervised by Walter Mitchell, Jr., and Fernley G. Fawcett, under the general direction of Willard L. Thorp.

Retailing

Total retail trade in 1938 is estimated at about $35.6 billion, 11 per cent below the 1937 level. Retailers' inventories are placed at $4,750 million at the close of 1938 or 6 per cent below the total at the beginning of the year, and about on a par with holdings at the close of 1936. Estimates are now available for 44 trades as compared with 16 lines covered by the tables published in the March Dun's Review. We pause here for the customary station announcement regarding the sample which underlies these estimates: the experience of 18,000 retailers as compared with 7,400 early birds previously analyzed. The earlier sample represented a sales volume of $440 million while the present aggregate is $6,750 million.

Remarkably complete data are now at hand from large corporate chain-store organizations, many of whose audits had not been completed two months ago and separate estimates are shown in those trades where chain operation is important. Over 15 per cent of the sales volume of department stores and household appliance retailers is represented in the Survey, but our national hunger requires such a vast army of grocers that almost 2,000 Survey contributors represent less than 2



Retailing Sales and Inventory Trends—Percentage Changes from 1935

per cent of the independent grocery store volume. In contrast, the 28 grocery chain organizations whose figures are available sell 70 per cent of the chain grocery volume. It is believed, however, that a representative cross section has been obtained in every trade for which estimates are published.

The procedure of presenting both the trend shown by the Survey sample and a compensated estimate for each retail trade is exactly the same as with wholesaling; readers are referred to the description of compensated estimates in the discussion of wholesaling.

In addition to this allowance for the "automatic optimism" of these voluntary contributors, another source of error largely peculiar to the retail field has been taken into account. The Survey inevitably corrals a scattering of lusty infant enterprises which double their weight every few months and are proud of it. The smallest size group of enterprises reporting in each trade almost invariably showed increased sales or a negligible decline, while all of the remaining groups of larger enterprises were more or less consistent as to their style of bad news. The explanation is that no Survey can reach those small enterprises which either fade away from malnutrition or suffer from the heart failure called bankruptcy. Provision has been made for balancing this one-sided picture in arriving at the estimates.

Among retail trades the star performances for maintaining sales volumes were reported by four groups selling small items and necessities: independent variety stores, grocery and meat chains, independent meat and fish retailers, chain auto accessory stores. In none of the food trades was the sales decline as sharp as the average for all retailing. Though independent variety stores are a small minority in a trade where chains are nine-tenths of the show, their unusual story is worth noting in that 60 per cent of them had held their own or sold a larger dollar volume in 1938 than in 1937. The same favorable news came from about half of the independent filling stations, auto accessory stores, and meat shops, though the trade's total sales were off slightly in all three instances.

Consistently and conversely, sales shrank most alarmingly among the retailers of durable consumer goods: automobiles, household appliances, and furniture. Nine out of every ten automobile dealers reported sales shrinkage, a higher proportion than appeared in any other retail group except the mail-order houses, where all four reporting concerns quite naturally reflected the national downtrend of business. Men's clothing shops and haberdasheries were also strikingly unanimous with eight of every ten reporting bad news, though the shrinkage in the trade's total volume was not as great as with automobiles or house furnishings.

Seven groups of independent retailers all handling small wares and accessories, reported increased or unchanged inventories. Automobile accessory, stationery, drug, and grocery stocks were increased slightly, while independent shoe shops, variety stores and filling stations reported no reduction of inventory. Inventory retrenchment was reported by only about 40 per cent of the independent grocery, grocery and meat, variety, auto accessory, gasoline, and drug retailers as compared with retrenchments by well over half the retailers in most other lines.

The judgment of chain shoe store operators appears to have been at variance with independents since the 17 per cent curtailment of chain shoe inventories during 1938 was one of the most radical reported in any retail line. Other outstanding inventory retrenchments appear in the automobile, men's clothing, haberdashery, and household appliance fields. About three of every four retailers, an exceptionally high proportion, had cut down their inventories in the following trades: department stores, mail-order, men's clothing, haberdashery, and automobiles. The prevalent and sharp curtailments in the last instance were largely the result of a trade-wide campaign to dispose of used cars in the Spring of 1938.

The broad sample of reports from

VI. Receipts for 6 Types of Contracting, 1937-1938

TYPES OF CONTRACTING	1937-1938 Trend Per Cent Change	1938 U. S. Totals (Estimate) Millions of Dollars	Concerns Reporting Decreases Per Cent of Concerns
General Building	— 6	703	53
Painting and Decorating	— 14	77	63
Plumbing and Heating	— 7	444	59
Electrical	— 14	147	64
Sheet Metal Work	— 10	106	66
All Other	— 10	854	58
ALL CONSTRUCTION	— 9	2,331	60

VII. Sales for Mines and Quarries, 1937-1938

MINES AND QUARRIES	1937-1938 Trend Per Cent Change	1938 U. S. Totals (Estimate) Millions of Dollars	Concerns Reporting Decreases Per Cent of Concerns
Mining Metals and Sulphur	— 25	1,108	82
Coal Mining	— 20	788	73
Stone, Sand, and Lime, etc.	— 14	2,566	65
ALL MINES AND QUARRIES	— 18	4,462	72

chain organizations makes it possible to compare their sales trends with groups of independents in the same trades. The figures used are for these chain organizations as a whole with no allowance for change in the number of outlets operated. In the grocery, department store, shoe, and automotive accessory lines, chains fared somewhat better than independents in 1938. Among drug stores, chain and independent fortunes appear to have been about equal; while in the restaurant, variety store, and bakery trades the independents had the advantage.

The larger number of reports has also made it possible in this tabulation to separate small independent grocers from independent grocery and meat stores. These latter average larger in size than the outlets handling only groceries and enjoyed a better sales record in 1938.

Construction, Service, and Mining

Contract construction fell off by about 9 per cent during 1938 as compared with 1937, according to the experience of about 1,900 contractors contributing to the Survey. On this basis, the total dollar volume of contract construction in the country is estimated at $2,330 million in 1938.

The Survey estimates for 1937 and 1938 are carried forward from the Federal Census of Construction in 1935 and do not include large quantities of construction work done under day labor contract, by manufacturers with their own labor force, and by the WPA. More favorable results were reported by the general building contractors who lost only 6 per cent in volume; less favorable results by the painting and electrical contractors whose receipts declined by 14 per cent.

Figures are available from relatively few mining enterprises but include the experience of some of the very large copper and other metal mining corporations, hence the decline of 25 per cent in their sales seems representative.

Coal mining declined by only 20 per cent. Quarries and other operations producing building stone, lime, and limestone reported a 1938 volume only 14 per cent below 1937. On the basis of these trends, the very complete 1937 data published by the Bureau of Mines are projected to show a 1938 output of all U. S. mines and quarries of a little less than $4.5 billion. This represents an estimated decline of 18 per cent; somewhat less drastic than occurred in the field of manufacturers' sales, but more sharply downward than the trend of distribution volume.

The service industries as a whole, with only 5 per cent smaller business in 1938 than in 1937, suffered less than any other major field of business. Receipts in the service trades covered are estimated at a little less than $3,700 million in 1938.

It should be noted that such enterprises as barber shops and beauty parlors are not covered by the Survey since they are not customarily listed in the DUN & BRADSTREET Reference Book and therefore did not receive the questionnaire.

Best results were reported in the rapidly growing field of bus transportation where receipts were 10 per cent larger in 1938 than in 1937. The slight increase in receipts of shoe repair shops should definitely be interpreted as the experience of the more successful members of a trade which consists of a vast number of small enterprises with a high rate of business mortality.

The sharpest decline in receipts was reported by garages and other automotive service lines and by electric, radio, and other repair shops. Since it has previously been noted in the analysis of retail trends (March, 1939, DUN'S REVIEW) that the service receipts of motor vehicle dealers held their own or may even have increased, the Survey results suggest the possibility that independent garages have suffered in competition with dealer service facilities.

The trends and estimates already discussed cannot equal the accuracy of Census figures, but they are believed thoroughly adequate for the practical purposes of business analysis. They form a vastly more complete picture than has heretofore been available, and estimates made in this manner must necessarily serve to bridge the gap until 1939 Census figures begin to be available at about the end of 1940.

The 1937 Census of Manufactures which became available at the close of 1938 showed only a 3 per cent error in the 1937 volume of manufacturing estimated a year ago in DUN'S REVIEW. With the benefit of knowing how and where those errors occurred it is believed that the present estimates are even more accurate.

We do not agree with the hypothesis advanced by a speaker at a business convention last year that as business instability grows worse, the more statistics we have. Records show that first-rate business hurricanes were possible in the 19th century—without benefit of present-day weather bureaus of economists to predict them; or be caught napping. His argument was to the effect that the possession of more and better figures produces worse and quicker panics among business men when conditions seem unfavorable; conversely, that speculative buying and over-commitment are encouraged when trusted indexes look favorable.

To some extent this may be true, yet it seems akin to an argument that automobiles should be driven without lights at night because headlight glare has caused accidents. The burden of opinion among careful observers seems to favor the alternative course of improved headlights and better trained drivers. It is believed that as our records accumulate over a period of time we can gain a better knowledge of what happens in our economic processes. From among the traditional suppositions that depressions result from particular causes such as drought, war, bankruptcy, or speculative boom, we may be able to sort out the brilliant intuitions and discard the superstitions.

VIII. RECEIPTS FOR 13 SERVICE TRADES, 1937-1938

SERVICE TRADES	1937-1938 Trend Per Cent Change	1938 U. S. Totals (Estimate) Millions of Dollars	Concerns Reporting Decreases Per Cent of Concerns
Cleaners and Dyers	— 7	135	60
Laundries	— 3	513	58
Shoe Repair Shops	+ 1	140	44
Hotels (all-year operation)	— 9	733	73
Funeral Directors and Embalmers	— 2	256	50
Photographers	— 3	66	41
Garage and Other Automotive Service	— 11	595	62
Trucking, Hauling, and Storage	— 3	837	52
Cold Storage Warehousing	— 7	35	75
Bus Transportation	+ 10	252	60
Blacksmith and Welding Shops	— 7	47	47
Electric, Radio, and Other Repair Services	— 10	28	61
Upholstery and Furniture Repair Shops	— 3	39	41
TOTAL, 13 SERVICE TRADES	— 5	3,675	58

IX. Analysis of Sample of Reporting Concerns

MANUFACTURING INDUSTRIES	Concerns Number	1937 Sales: Millions of Dollars	1937 Sales: Share of U. S. Total Per Cent
FOOD	984	4,311	36.6
Baking	62	224	15.7
Distilleries and Wineries[1]	17	237	..
Beverage Bottlers	114	23	8.3
Candy, Chocolate, and Chewing Gum	55	51	10.9
Dairies, Creameries, and Milk Dealers	306	791	46.2
Meat Packing[2]	74	2,215	70.8
Ice Manufacturing	70	27	20.1
All Other Food Manufacturing	286	743	17.1
TEXTILES AND CLOTHING	568	751	13.4
Woolen and Worsted Goods	46	171	15.9
Cotton Textiles	55	225	17.7
Silk and Rayon Goods	22	25	7.7
Men's and Boys' Clothing and Furnishings	204	143	12.1
Women's and Children's Clothing and Accessories	198	88	6.4
Hosiery	43	99	27.4
FOREST PRODUCTS	516	195	8.0
Lumber and Planing Mill Products	218	98	8.3
Furniture	130	59	8.9
Other Forest Products	168	38	6.3
PAPER, PRINTING, AND PUBLISHING	1,037	596	13.7
Paper and Paper Products (except boxes)	111	259	15.7
Boxes, Paper	67	93	22.6
Printing and Binding (book and job)	503	54	6.0
Newspapers and Periodicals (large)	125	186	13.6
Newspapers (small) with Printing	231	4	12.8
CHEMICALS, DRUGS, AND PETROLEUM	323	2,372	30.5
Industrial Chemicals and Chemical Products	135	613	25.6
Drugs, Perfumes, and Cosmetics	65	233	47.9
Paints, Varnishes, and Lacquers	55	133	24.7
Petroleum Refining	68	1,393	53.8
SHOES	42	282	36.6
STONE, CLAY, AND GLASS PRODUCTS	296	373	25.9
Stone and Stone Products	191	164	37.5
Clay and Glass Products	105	209	20.8
IRON AND STEEL	600	3,860	53.7
Iron and Steel Manufacturing	34	2,730	65.5
Iron and Steel Products	180	488	78.9
Heating, Plumbing, and Air Conditioning Equipment	79	324	44.5
Hardware	199	225	22.9
Foundries	136	49	12.4
Structural Steel	62	44	15.1
MACHINERY, ENGINES, AND TRANSPORTATION EQUIPMENT	760	5,251	44.1
Electrical Apparatus and Appliances	161	1,002	42.9
Machine Shop Products	185	30	2.8
Agricultural Machinery	26	428	75.8
Railroad Equipment	13	199	48.8
Aircraft	20	143	100.0
Automobiles	16	2,723	88.2
Automotive Accessories and Parts	49	190	9.1
Office and Business Machinery	30	161	55.2
Heavy Machinery (Engines, Turbines, Pumps, etc.)	260	375	19.6
MISCELLANEOUS			
Non-ferrous Metals, and their Products	163	629	22.5
Jewelry, Watches, Silverware, and Findings	53	54	18.3
Tires and Other Rubber Goods	44	774	87.7
Tobacco Products	36	957	75.2
Other Manufacturing	804	639	..
ALL MANUFACTURING	6,316	21,044	34.7

[1] Sample between one-half and two-thirds of industry—value of product not comparable with sales.
[2] Fiscal year closes October 31

WHOLESALE TRADES			
FOODS AND BEVERAGES	668	387	5.4
Confectionery	52	5	3.4
Dairy and Poultry Products	57	30	4.6
Groceries	214	207	9.0
Meat and Fish	77	25	3.6
Produce and Fruits	98	58	4.8
Alcoholic Beverages	66	39	3.9
Other Food and Grocery Specialties	104	23	2.1
DRY GOODS AND APPAREL	261	135	7.1
Clothing, Furnishings, and Shoes	118	32	4.8
Dry Goods (General Line)	143	103	9.0
LUMBER, BUILDING MATERIALS, AND HARDWARE	138	70	5.4
Lumber, Millwork, and Other Building Materials	78	34	4.6
Hardware	60	36	6.4
DRUGS	26	21	3.8
PETROLEUM AND PETROLEUM PRODUCTS	132	39	21.8
AUTOMOTIVE EQUIPMENT	161	28	5.4
SUPPLY HOUSES	381	112	6.7
Plumbing and Heating Supplies	107	21	5.4
Machinery and Equipment	72	45	7.3
Other Miscellaneous Supplies	202	46	6.8
ALL OTHER			
Electrical Goods and Appliances	111	35	3.6
Paper and Paper Products	65	30	5.8
Tobacco Products (except leaf)	73	67	7.1
Other Wholesaling	303	206	..
ALL WHOLESALING	2,319	1,130	4.9

RETAIL TRADES			
FOOD	2,634	2,037	21.5
Groceries (Independent)	715	19	1.2
Groceries and Meats (Independent)	1,238	61	2.1
Groceries and Meats (Chains)	28	1,855	70.1
Meats and Fish	185	17	2.5
Bakeries (Independent)	189	7	11.2
Bakeries (Chains)	6	50	79.6
Other Food and Beverage Stores	273	28	1.7
FARM SUPPLIES, GENERAL STORES	2,665	156	7.1
Country General Stores	1,730	59	4.6
Farmers' Supply Stores	717	79	10.8
Farm Implements	209	18	9.4
GENERAL MERCHANDISE GROUP	1,056	3,036	47.3
Department Stores (Independent)	84	357	15.5
Department Stores (Chains)	20	824	52.2
Mail-Order Houses[3]	4	1,034	..
General Merchandise and Dry Goods	628	38	6.2
Variety Stores (Independent)	297	7	7.3
Variety Stores (Chains)	23	776	96.6
APPAREL GROUP	1,557	252	8.7
Men's Clothing (with Furnishings)	411	26	4.2
Haberdashery	59	2	1.2
Women's Ready-to-Wear (with Accessories)	356	24	3.4
Women's Clothing and Accessories (Chains)	11	73	23.2
Lingerie, Hosiery, and Accessories	121	2	2.4
Family Clothing, including Children's Shops	262	20	5.0
Shoe Stores (Independent)	325	12	3.8
Shoe Stores (Chains)	12	93	30.5
FURNITURE AND HOUSE FURNISHINGS	1,324	128	10.2
House Furnishings and Floor Coverings	143	8	3.8
Radio, Electric and Gas Household Appliances	432	17	15.0
Furniture	749	103	11.1
LUMBER, BUILDING MATERIALS, AND HARDWARE	2,619	230	9.1
Lumber and Building Materials	1,253	161	13.0
Paint, Wallpaper, and Glass	189	6	3.8
Hardware	947	47	6.6
Hardware and Farm Implements	230	16	3.9
AUTOMOTIVE PRODUCTS	3,059	485	5.8
Motor Vehicle Dealers	1,283	342	6.6
Automobile Accessories (Independent)	323	21	8.7
Automobile Accessories (Chains)	6	63	25.2
Filling Stations	1,447	59	2.3
ALL OTHER			
Restaurants and Other Eating Places (Independent)	379	15	1.0
Restaurants and Other Eating Places (Chains)	19	101	40.2
Drinking Places, Taverns, and Bars	126	2	0.3
Drugs and Cosmetics (Independent)	810	23	2.1
Drugs and Cosmetics (Chains)	10	230	62.9
Coal and Other Fuel	256	17	1.6
Florists and Nurseries	184	4	3.1
Jewelry	381	11	4.0
Stationery, Books, Newsdealers	140	5	3.5
All Other Retail Stores	749	31	..
ALL RETAILING	17,968	6,763	16.9

[3] Not comparable with Census classification. Includes retail stores.

CONTRACTING			
General Building Contractors	254	30	4.1
Painting and Decorating	171	5	5.7
Plumbing and Heating	512	23	4.8
Electrical Contractors	272	13	7.7
Sheet Metal Work	228	10	8.2
All Other Contracting	457	64	6.7
TOTAL	1,894	145	5.7

SERVICE TRADES			
Cleaners and Dyers	161	8	5.9
Laundries	191	30	5.7
Shoe Repair Shops	92	1	0.3
Year-Round Hotels	129	25	3.1
Funeral Directors and Embalmers	73	3	1.1
Photographers	104	3	4.0
Garages and Other Automotive Service	621	15	2.3
Trucking, Hauling, and Storage	245	26	3.0
Cold Storage	15	9	24.5
Bus Transportation	40	52	22.7
Blacksmith and Welding Shops	113	1	1.8
Electric, Radio, and Other Repair Shops	130	2	7.9
Upholstery and Furniture Repair Shops	46	1	1.4
TOTAL	1,960	176	4.5

MINES AND QUARRIES			
Mining Metals and Sulphur	29	248	16.8
Coal Mining	56	185	18.7
Stone, Sand, and Lime	70	16	0.5
TOTAL	155	449	8.3

HUMOR *and* GOOD HUMOR *in* ADVERTISING

AN OPPORTUNITY AND A CHALLENGE FOR MANAGERIAL COURAGE AND SKILL

ARTHUR H. LITTLE

IN THE Fall of 1930, the head man of a manufacturing concern in Three Rivers, Mich., faced a crucial question. Should he cut his price?

Nineteen-twenty-nine and its ill-wind aftermath had driven consumers to cover. Would a lower price coax them out?

The head man decided. Shortly there went out to the company's customers a letter that read:

Dear Sir or Madam:

Because of numerous requests received, the Three Rivers, Big Link, Old-Fashioned, Pennsylvania-Dutch, Hickory-Smoked Sausage Company will get out its first batch of sausage during the next week.

This sausage was available last season at a price of $1.75 for 2 pounds. However, because of the decrease in the cost of raw materials, the price has been increased to $2 for 2 pounds.

Your check should accompany your order.

The letter bore the signature of the sausage company's president, the highly unpredictable Chet Shafer, who, on his non-commercial or social side, had rendered a multitude of his fellow Americans a signal and resounding service by organizing—with himself as Grand Diapason—the Guild of Former Pipe Organ Pumpers.

A price-rise when prices were falling? More or less privately, Chet Shafer admitted, " It's utterly absurd."

But the checks came in—checks whose authors had risked spraining their arms to cram into the payee space the payee's corporate name. So promptly did the earlier checks come in that they raised above the level of the preceding year Chet Shafer's sausage company's early-season sales; and, until March, when the season ended, so steadily did the later checks come in that they established for the sausage works a new, all-time, seasonal high.

Thus did humor—*good* humor—solve a business problem.

"All choked up over something, Robert?"

SIS: Ha! Ha! Robert's girl won't wa-it! Robert's girl won't wa-it—

BOB: *Pipe down, Midget, and help hunt me a decent shirt. If I'm not at Suzie's in fifteen minutes it's all up with your brother Robert. And every shirt I own seems to have shrunk to size 12.*

SIS: *You would* have that kind!

BOB: *Well, it's not my fault. I ask for "pre-shrunk" or "full-shrunk" shirts every time—but the darn things shrink just the same.*

SIS: Never heard of *Sanforized-Shrunk* shirts, I suppose?

BOB: *Aw, what do you know about it? That kind shrinks, too, I bet.*

SIS: I know a lot about *Sanforizing.* We studied it in our Home Economics class. It's the process that takes *all* the important shrinkage out of a fabric, before it's made into shirts. The most *any* Sanforized-Shrunk fabric can shrink is 1%, by Government standard test—that's what our teacher said.

BOB: *What's that in plain English?*

SIS: 1% shrinkage means a Sanforized-Shrunk shirt positively won't shrink out of fit, brother dear. Good Housekeeping Magazine says the same thing. This Sanforizing process is so good there are 195 patents on it, no less.

BOB: *Sounds swell—but it doesn't get me out of this mess.*

SIS: What would you say if I trotted out a brand-new Sanforized-Shrunk shirt I was saving for your birthday?.

BOB: *Honest? Do you really mean that? Where did you get the money?*

SIS: What money? Sanforized-Shrunk shirts don't cost any more than those funnies you've been buying. And practically all the stores carry them. You can get Sanforized-Shrunk shorts and pyjamas, too.

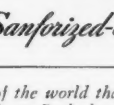
BOB: *Bring on your shirt, darling—you're really wonderful!*

SIS: I'll run get it. But I sure do hate doing this to Susie—

BOB: *Susie!*

SIS: She might be sap enough to fall for you—once you start wearing some decent-fitting shirts.

A word to smart sisters—



Men's shirts aren't the only things that can be bought SANFORIZED-SHRUNK. Look for these two words on anything made of cotton, linen, or spun rayon:

- *Women's Dresses*
- *Nurses' Uniforms*
- *Men's Shirts, Slacks, Work Clothes*
- *Men's Pyjamas, Shorts*
- *Children's Garments*
- *Slip-covers and Draperies*

To be sure of <u>permanent</u> fit...look for the words...Sanforized-Shrunk

Such jests as this good-naturedly suggest to the Roberts of the world that they should buy shirts which are Sanforized-Shrunk, and made by Cluett, Peabody and Company.

The adjective is italicized because in this inquiry that single word works two ways: it serves as the inquiry's crux and, paradoxically, it broadens the inquiry's base.

It is important to remember that, in business as elsewhere, real humor flows from good humor. No man with ill-will in his heart can hope to cause other men to laugh.

Proceeding sensibly, then, let us look at what is, it seems to me, the fatal

fallacy in the theory that humor in advertising rolls in cycles. Cyclically, many of us have followed the reasoning and peered at the exhibits of the solemn commentators who recurrently prove: (1) that business, as mirrored in its advertising, has broken out with a new rash of hilarity; or (2) that business has enveloped itself in a cloud of melancholia as black as that which, after a century or so of suspense, must have descended upon the mortician who, as an ambitious and forward-looking young business man, had decided to make a career of hanging around and waiting for the passing of Methuselah.

Either way, the thesis sounds plausible. But defeat will dog the efforts of any explorer who undertakes to determine just when the funny-business, as a sort of opposing index to the gloom, really set in.

In the files of the newspapers and the magazines, back in the neighborhood of 1925, there are the tracks of the advertisers' stampede to the comic strip. There you can find the sprouting and the burgeoning of advertising dialogue —the dialogue of persons and even of products that, bursting into balloonistic speech, wise-cracked all over the place. And you would say, "It started here."

HOW TO MAKE YOUR TRUCK TIRES RUN COOL
BY RUBE GOLDBERG
BUCK'S TRUCKS
BREEZE STARTS SAILBOAT (A), CAUSING BILLIARD CUE (B) TO KNOCK EIGHT BALL (C) INTO POCKET (D), BLOWING HORN (E), WHICH SCARES MIDGET PEDESTRIAN (F) — HE JUMPS, HITS HEAD ON STICK (G) AND TURNS ON FAUCET (H) — RAIN WATER RUNS FROM PAN (I) INTO PIPES AND THROUGH OUTLETS (J), COOLING TIRES AND PROLONGING THEIR LIFE!
IF YOU WANT A CHEAPER METHOD Here's a New Kind of Truck Tire That Does Not Get Dangerously Hot
Making truck tires run cool is a joke to Rube Goldberg. It's his business to treat things lightly. To us, the problem of tire heat is a serious one. Only after years of research was Goodrich able to offer a simple, practical way to get cool-running truck tires—and that means tires that give more miles per dollar—even under peak loads and high speeds.
NEW CORD FIGHTS "KILLER" HEAT
Heat is the enemy of truck tires. Those extra-heavy loads and high speeds send temperatures skyrocketing. Tests show 300° temperatures are common. Yet sustained temperatures above 240° are sure to result in premature failure!
Goodrich now offers you a tire built with a new kind of cord—cord that ends the heat problem. This cord checks blow-outs and premature failures caused by excessive internal heat! It practically eliminates sidewall breaks and blow-outs!
Isn't that money-saving news? Well, here's how it works. This cord, called Hi-Flex, is more compact, more elastic—yet actually stronger than ordinary cord. It retains its strength and elasticity throughout the life of the tire. When stretched, it comes back alive, prevents the tire from "growing." This cord not only slows down heat generation—it also withstands better what little heat is generated!
With the right size Goodrich Silvertowns at work you won't have to worry about extra-heavy loads, high speeds—or any of the other conditions of modern trucking that develop "blow-out" heat in ordinary tires.
TRIPLE PROTECTION, TOO!
But there's still another big reason why you can expect lower cost-per-mile with Silvertowns. They're Triple Protected. Only Goodrich gives you these three important safeguards:
1 PLYFLEX—a tough outer ply which distributes stresses throughout the tire and prevents local weakness.
2 PLY-LOCK—a new method of locking the plies about the beads, anchoring them in place.
3 HI-FLEX CORD—full-floated in live rubber—cord that retains its strength and protects the tire against getting dangerously hot.
This Triple Protected Tire has been tested on the country's worst "tire-killer" hauls. And here's what happened. It ran two—even three times longer than the best competitive tires used!
NO EXTRA COST
Your Goodrich dealer or Goodrich Silvertown Store can verify these facts. Can even estimate how much you will save when Goodrich Triple Protected Silvertowns go to work for you.
IT LICKS SPEED PROBLEMS!
IT LICKS LOAD PROBLEMS!
IT COSTS NO MORE!
Goodrich Triple Protected Silvertowns
SPECIFY THESE NEW SILVERTOWN TIRES FOR TRUCKS AND BUSES

Then I'd take you farther back—back to the advertising of the early nineteen-hundreds. And you would look at the pictures of corsets and bustles and say: "No, I was wrong. This is far more comical."

And finally, I could bring you down to the advertising of today. And you would look at the women's hats—and, well, there you are. Rather, where are we?

We have collided, of course, with an important truth, a truth upheld and proved to the hilt by shelves of solid tomes dedicated to proving the opposite; and that is this: In both its forms, the conscious and the unconscious, humor defies analysis.

But if humor, itself, evades us, at least we can examine its effects. More importantly, and more helpfully to ourselves, we can examine its sources—specifically, the kind of environment whence it comes. And we can look at humor's accomplishments.

Shovels and Collars

In advertising, humor has helped sell steam shovels, soups, and linen collars. It has helped sell alarm clocks and automotive tires. It has helped sell coffee and tea and oil-filters. It has helped keep customers satisfied by dehorning and divesting of its technical terrors that built-in headache known as the instruction book.

In advertising, humor has poked fun at the customer's troubles and problems, at his ills, and at his vanity. It has poked fun—but deftly!—at the manufacturer's own product. It has poked fun—but more deftly!—at the manufacturer's own company.

Goodrich brings out a truck tire that always runs cool. To catch attention and to hint at the news of its new product, Goodrich invokes the inventive artistry of the complex Rube Goldberg, who presents, in cartoon form, his conception of how to deal

Truck tires which run cool may be a pretty funny nightmare to cartoonist Rube Goldberg, but to the B. F. Goodrich Company making them is a serious, responsible business.

with truck tires that overheat. Blithely, Mr. Goldberg enlists the services of a sailboat, a billiard cue, an 8-ball, a bulb-lunged horn, a midget pedestrian, and a sprinkler system.

To Mr. Goldberg, the Goodrich text explains, keeping truck tires cool seems to be a joke. To Goodrich—and here's a saving clause—it's a business highly serious.

Salty Story

For another product, a half-page illustration presents, as its central figure, a salty-looking citizen caught in the act of telling a salty story to a group of eager listeners at a dinner table. He's saying, ". . . and the most important thing about oil is . . ." A presumptuous waiter interposes, "Keep it clean!" And what keeps motor oil clean? What, as the text explains, but Purolator?

An agitated young man struggles at a telephone. An insufferable onlooker —obviously his kid sister—asks, "All choked up, Robert?" Robert, who's trying to talk with his girl about a date, will do better with his swaining, we learn, when he changes to shirts that have been Sanforized-Shrunk.

We laugh with Rube Goldberg for reasons that Mr. Goldberg, himself, could best explain with diagrams. We laugh with the story teller and his listeners because, I suppose, the waiter's interjection has taken its place in our folklore. We laugh at Robert and his stranglehold shirt because—and I'm still supposing—we all have been where Robert is.

So far, so good. But the advertiser faces the question: How freely may the sheet-lightning of raillery be allowed to play?

The answer involves a measurement of managerial courage; but primarily it involves a measurement of managerial skill and managerial understanding. For here we collide with another important truth, which is this: Comedy must be funny.

Good humor may express itself in passive amiability, or in an active attempt to win friendship. But he who arises and says, "Quiet, please! Now I shall amuse you!"—he draws upon himself the spotlight of attention; and, although they've all come in on passes, his hearers will demand, and rightly so, that he deliver. Into the unwritten predecessor of mankind's first Bill of Rights was doubtless graven the stipulation that when the comedian flagged even the groundlings might shout, "Louder—and funnier!"

It follows, then, that any management that asks itself, "Shall we tickle the customers' ribs?" first must answer that other question: "Can we?"

. . . AND THE MOST IMPORTANT THING ABOUT OIL IS . . . .
KEEP IT CLEAN!
PUROLATOR
keeps your motor oil clean and clear
. . . protects the engine and saves money!
N-TYPE PUROLATOR
The clean oil filter with the replaceable element
E-TYPE PUROLATOR
Licensed under Swortland Patents
If your car is not equipped with a Purolator, install one now! Don't take any more risks with dirty oil!
MOTOR IMPROVEMENTS, INC.
NEWARK . . NEW JERSEY
Dirt, dust, carbon, sludge, tiny pieces of metal—these impurities that get into your motor oil cause more engine repair bills than everything else combined!
To keep your engine healthy—keep the oil clean. Every time you "check your oil," check for cleanliness as well as quantity. If your oil is dirty, by all means install a new Purolator cartridge or element. The service man can do it while you wait.
The few minutes you spend will be repaid many times by the peace of mind you feel. No matter what kind of oil you use, it will do a better lubricating job when you "keep it clean."
THIS IS CLEAN, CLEAR OIL
THIS IS DIRTY OIL
. . . and the difference between the two means better performance and money saved.
PUROLATOR

The presumptuous waiter not only balloons the catch-line of the illustration, but also emphasizes a point which sells oil-filter equipment for Motor Improvements, Inc.

Can we be funny? What a question! Aren't we the countrymen of Bret Harte and Artemus Ward and Bill Nye and Mark Twain? Consider our development of radio, a field of expression in which we lead the world. Who is there so deaf as to argue that, in humor, American radio falls short?

Well, although air-borne humor transcends the scope of this study, the fact remains that so rarely does American radio dare to spoof either the product or the sponsor—any product or any sponsor—that when a radio fun-

(Continued on page 54)

"Steel Castles"—an etching by Otto Kuhler. The artist exercises considerable freedom of draftsmanship, avoiding too literal expression as he interprets one of man's most powerful mechanical servants. Original size of print: 16¾" x 13¼". (Reproduced through courtesy of Kennedy & Company.)

IS BIG BUSINESS GETTING BIGGER?

The Second in a Series of Articles Analyzing Conflicting Testimony on the Extent and Character of Concentration in American Industry

EDWIN B. GEORGE
Economist
DUN & BRADSTREET, INC.

DESPITE the imposing tonnage of literature that has rolled off the press on the subject of big business, surprisingly few scientific efforts have been made to ascertain the actual tempo at which so-called "concentration" has progressed. Growth of concentration has interest for its own sake, quite apart from competitive theories and even practical results.

Many of our people instinctively dislike giganticism and would as a matter of taste prefer a busy little bee type of industrial organization. Their preferences are important, and the starting point might reasonably be taken that "size" has clearly to justify itself both by unusual efficiency and by some form of proof that continuous pecking at it is more disturbing and wasteful than its own wastes, if it is to hold up its end of the argument. If our citizens nurse village green ideals, however vaguely, a presumption runs against bond-and-

stock empires that requires a good deal of material superiority in the latter to overcome.

Although there is a fairly widespread impression that "big business" has clunked rather roughly over the anti-trust laws in getting big, the charge is inexact if directed solely at its dimensions. As viewed by the courts these laws did not proscribe mere "size."[1] It is true that under them there have been many prosecutions, many convictions, and a number of dissolution decrees, but they have usually been on grounds of method or conduct. At any rate it could always be seen through the smoke that corporate mansions were getting bigger and bigger, and even in public prosecutors' hours of greatest triumph the student looks in vain for crumbling walls.

In this field of research, Berle and Means have drawn the longest bow.[2] The rise of great corporate units, their influence, accomplishments, and faults, have been explored statistically and analytically in many notable works.[3] But efforts to discover the exact rates at which greatness has materialized through the decades have usually been incidental to other purposes, or its obvious existence regarded as sufficient proof that growth must have occurred.

Berle and Means' contribution to the evidence on the extent of existing concentration was included among the data analyzed in the March *Dun's Review*. An even more striking development was discerned by these pioneering authors however in the comparative growth of large and small corporations. It was their evident feeling that the prevailing drift gave an even more ominous cast to existing disparities. In even their sober and carefully written pages, place was found for such enkindling sentiments as this: that if the wealth of all corporations and that of the largest should each continue to grow at the same rate as they had grown from 1909 to 1929, "it would take only 40 years . . . for all corporate activity and practically all industrial activity to be absorbed by 200 giant companies."[4]

Such earth-shaking predictions were not intended to be taken literally. Rather was it the authors' way of dramatizing one of their most important findings, namely that large corporations had been growing at a much faster rate than small. As a matter of fact, Dr. Means has more than once manifested his dismay over the misinterpretations to which many of both his data and conclusions have been subjected. He has always been aware that so far as practical considerations are concerned, modern technology requires such a degree of bigness that most of the problems arising out of the relation of "size" to the economy would still be with us—even though, as he stated recently, each of the big corporations were broken up into a number of completely independent concerns. His primary interest in compiling figures on concentration has been to "draw attention to the implications of big business, however necessary it may be, for the way the economy runs; the questions arising are not those of moral turpitude."

Since the validity of Berle and Means' conclusions naturally turns on the figures they used and the way they used them, a glance is in order, first at the method by which the growth of the titans was measured, and second, at the quite different method by which the growth of corporate wealth in general was traced.

From Moody's manuals, Berle and Means totalled the gross assets of the 200 non-banking corporations which were the largest in 1909 and found that they amounted to $26.1 billion. The assets of the 200 largest in 1919 totalled $43.7 billion, an increase of 68 per cent in ten years. By the end of the next ten years, the then 200 largest controlled gross assets of $81.1 billion, a further increase of 85 per cent. The advance for the entire period, *i.e.*, from 1909 to 1929, was 211 per cent.

Task number one however was far from being one of mental arithmetic. These percentage increases applied to the assets of a different group of corporations each year. Obviously the make-up of the list had to change

[1] *United States* vs. *U. S. Steel Corp. et al.* 251 U. S. 417, 451 (1920); *United States* vs. *International Harvester Co. et al*, 274 U. S. 693, 708 (1927).

[2] *The Modern Corporation and Private Property*, Adolf A. Berle, Jr., and Gardiner C. Means, The Macmillan Company, 1932, referred to hereafter as *The Modern Corporation*.

[3] To mention a few: *The Truth About the Trusts*, John Moody, 1904; *Corporate Promotions and Reorganizations*, Arthur S. Dewing, 1914; *Industrial Combinations and Public Policy*, Myron W. Watkins, 1927; *Mergers in Industry*, National Industrial Conference Board, 1929; *The Changing Structure of Industry*, Willard L. Thorp in *Recent Economic Changes*, 1929; *Trust and Corporation Problems*, Henry R. Seager and Charles A. Gulick, Jr., 1929; *Concentration of Control in American Industry*, Harry W. Laidler, 1931; *Big Business: Its Growth and Its Place* and *How Profitable is Big Business?* Twentieth Century Fund, Inc., 1937.

[4] *The Modern Corporation*, pages 40, 41.

Thank You for Your Help

The author was very much in need of information and advice that would help to piece out the scanty historical records of 1909, which happens to be one of the pivotal dates in Dr. Gardiner C. Means' estimates, as well as on special phases of the analysis.

He received it in generous measure from Dr. Means himself; *Dr. Rufus S. Tucker*, Economist, General Motors Corp.; Dr. W. H. S. Stevens, Assistant Director, Bureau of Statistics, Interstate Commerce Commission; Miss Susan Burr, Senior Economist, Board of Governors of the Federal Reserve System; Dr. T. C. Atkeson, Head, Clearing Division, Income Tax Unit, Bureau of Internal Revenue; Mr. Robert R. Nathan, Chief of the Income Section, Division of Economic Research, Bureau of Foreign and Domestic Commerce; Dr. Roy Blough, Director of Tax Research, U. S. Treasury Department; Colonel William H. England, Assistant Chief Economist, Federal Trade Commission; *Professor Paul Shoup*, Columbia University; Mr. Victor H. Stempf, Chairman of the Committee on Federal Taxation, The American Institute of Accountants; and Mr. J. S. Seidman, C.P.A., of Seidman & Seidman and member of the Committee on Federal Taxation, New York Society of Certified Public Accountants. None of them however are to be blamed for the reasoning.

Mr. Robert L. Tebeau of the Research and Statistical Division of Dun & Bradstreet, Inc., collaborated in both the preparation of statistics and their analysis.

I. Gross Assets of 150 Identical Corporations Common to Both 1919 and 1928 List of 200 Largest American Corporations[1]

Year	Gross Assets as of December 31 in Million Dollars[2] — 44 Railroads	71 Industrials	35 Public Utilities	150 Corporations
1919	18,480	14,288	6,017	38,785
1920	20,535	16,186	6,393	43,114
1921	20,186	15,590	6,745	42,521
1922	20,643	15,962	7,757	44,362
1923	20,409	17,174	8,749	46,332
1924	20,839	17,703	9,814	48,356
1925	21,272	19,111	11,508	51,891
1926	21,881	20,569	13,562	56,012
1927	22,462	21,154	15,580	59,192
1928	23,026	22,675	17,703	63,404
Increase, 1919-1928	24%	58%	194%	63%
Annual Rate of Growth, 1919-1928[3]	2.4%	5.2%	12.3%	5.6%
Increase, 1924-1928	9%	28%	80%	31%
Annual Rate of Growth, 1924-1928[3]	2.3%	6.0%	15.9%	7.0%

[1] From *The Modern Corporation and Private Property*, by Adolf A. Berle, Jr., and Gardiner C. Means, 1932, Table II, page 34, by permission of The Macmillan Company, publishers.
[2] Derived from Moody's railroad, public utility, and industrial manuals.
[3] Compounded annually.

II. Comparison of Growth of Large Corporations with Growth of All Corporations[1]

Year	200 Largest Non-Financial Corporations — Gross Assets as of December 31	Annual Rate of Growth[2]	All Non-Financial Corporations — Estimated Wealth as of December 31	Annual Rate of Growth[2]
	Million Dollars	Per Cent	Million Dollars	Per Cent
1909	26,063		63,303	
1919	43,718	5.1		3.0
1920	48,436			
1921	47,762		90,507	
1922	49,729	4.1		
1923	51,886	4.2		4.3
1924	54,337	4.7	102,658	
1925	58,317	7.2		4.8
1926	63,404	8.7	112,435	
1927	67,165	5.9	117,693	4.5
1928	73,139	8.6	124,334	5.7
1929	81,074	10.6	131,500	5.8
1909-1928		5.4		3.6
1921-1928		6.1		4.4
1924-1928		7.7		4.9

[1] From *The Modern Corporation and Private Property*, by Adolf A. Berle, Jr., and Gardiner C. Means, 1932, Table III, page 36, by permission of The Macmillan Company, publishers.
[2] Where an interval of more than a year intervenes between successive figures, the annual rate of growth is figured on a basis which gives a rate compounded annually.

as some of the original 200 were reorganized, others were merged or liquidated, and as still others were overtaken in the size race by newly organized or faster growing companies.

To forestall the natural criticism that the 200 largest in 1909 were not the same corporations as the 200 largest in 1929, Berle and Means computed the increase in the gross assets of the 150 corporations which were among the 200 largest in both 1919 and 1928 (table I). They found that during this nine-year period these identical corporations had grown at a rate only moderately less than that at which the assets of the 200 non-identical corporations had increased, namely 63 per cent as against 67 per cent. But while the 71 industrials in the list had grown by 58 per cent, the gross assets of the 44 railroads had increased only 24 per cent and those of the 35 utilities had mushroomed 194 per cent.

This brings us into the second half of the Berle and Means statistical pilgrimage, which suddenly debouches upon a desert of sparse and stunted facts. The growth rate of the largest corporations acquires significance only by contrast with other growth rates, such as that of all corporations or that of the national wealth. Estimates of expansion in these two areas had therefore still to be made.

This was much more easily said than done. To begin with, there was no *Statistics of Income* in 1909, nor as a matter of fact was any emphasis placed upon the statistical value of tax returns before 1916. Nor were there any other business data sufficiently rich to provide a single basis of comparison throughout all the period for which published statements of the 200 titans had been brought forward.

Berle and Means found a solution of sorts by ferreting out a serviceable series of bases and hitching them together by means that were orthodox but, to put it mildly, not without their hazards. They admitted at the outset that their results probably involved a considerable amount of error.

Corporate wealth for 1921 had been computed from capital stock tax returns by the Federal Trade Commission.[5] Corporate wealth for 1924, 1926, and thereafter could be estimated from *Statistics of Income*. Corporate wealth as here used consisted of real estate, buildings, equipment, cash, and inventories. But somehow or other the data to be compared with the 200 leaders had to be pushed back to 1909 when precisely similar reports were not required. In that year however, there was imposed a 1 per cent tax on corporate incomes in excess of $5,000. Determination of this tax required the reporting

[5] *National Wealth and Income*, Federal Trade Commission, 1926.

of capital stock (balance sheet value of capital stocks but not of surplus) and indebtedness, a brace of figures likewise available in modified form for 1924 in the capital stock tax returns.

Light now appears, even if slightly on the artificial side. Berle and Means proceeded to compute the percentage increase in the capital stock and indebtedness of all corporations in 1924 over 1909, and applied that percentage to the estimated wealth of non-financial corporations (real estate, buildings, etc., as previously enumerated) which had already been extracted from the *Statistics of Income* for 1924.

By dint of this arithmetical roaming, with frequent pauses for adjustment and prayer, the table of relative growth of large and of "all corporations" that appears on the opposite page, began to take form (table II).

In this table, percentages are duly worked out to depict the annual rate by which each of the two groups of corporations put on weight. The gross assets of the 200, having almost tripled their value in the nineteen years from 1909 to 1928, had increased at an annual rate of 5.4 per cent. "All corporations" during the same period had only doubled their wealth, at an annual rate of 3.6 per cent. It was further pointed out in the text that the corporations other than the 200 largest had grown only 2.0 per cent annually. To Berle and Means "the large corporations would thus appear to be increasing in wealth over 50 per cent faster than all corporations or over two and one-half times as fast as smaller corporations." From 1924 to 1928, the large corporations appeared to be growing three times as fast as the small.[6]

The problem of estimating national wealth has engaged expert statisticians for many years. The measure selected by Berle and Means was that developed by the National Industrial Conference Board and yielded the conclusion that from 1922 to 1928 the growth in national wealth was only 12.5 per cent as against an increase of 45.6 per cent in the gross assets of the 200 largest corporations.

[6] *The Modern Corporation*, page 35.

III. Growth of Large Corporations as Indicated by Relation of Their Statutory Net Income[1] to That of All Corporations[2]

Year	Net Income of All Non-Financial Corporations	Estimated Net Income of 200 Largest Non-Financial Corporations	Per Cent by Largest 200 Corporations	Estimated Net Income of 800 Next Largest Non-Financial Corporations	Per Cent by Next Largest 800 Corporations
	Million Dollars	*Million Dollars*		*Million Dollars*	
1920	6,899	2,307	33.4	1,305	19.0
1921	3,597	1,354	37.6	708	19.6
1922	6,076	1,958	32.2	1,151	19.0
1923	7,453	2,445	32.8	1,386	18.6
1924	6,591	2,378	36.0	1,247	19.0
1925	8,060	2,993	37.1	1,522	18.9
1926	8,337	3,335	40.0	1,564	18.7
1927	7,459	2,865	38.4	1,360	18.2
1928	8,646	3,493	40.4	1,618	18.7
1929	9,456	4,081	43.2	1,808	19.1
Average, 1920-1923	6,006	2,015	33.5	1,137	18.9
Average, 1926-1929	8,474	3,444	40.7	1,587	18.7

[1] Derived from *Statistics of Income* for the respective years. Net income of all non-financial corporations *equals* statutory net income of all corporations reporting net income less that of financial corporations reporting net income.

[2] From *The Modern Corporation and Private Property*, by Adolf A. Berle, Jr., and Gardiner C. Means, 1932, Table IV, page 37, by permission of The Macmillan Company, publishers.

For confirmation of these disconcerting trends, Berle and Means turned to the *Statistics of Income* for a breakdown of statutory net income received by corporations from 1920 to 1929. Now this involved a different set of calculations from the one used in estimating relative growth of assets, for the reason that the *Statistics of Income* for those years classified income figures by size of incomes rather than by size of corporations earning them.

The aggregate income of the 200 largest earners (not the largest 200 corporations) was estimated by taking the aggregate net income of all non-financial corporations reporting income of over $5 million (which in each year amounted to nearly 200 concerns) and adding to this an estimate of the aggregate income of enough additional companies to make a total of 200. In each year the few additional companies were assumed to have a net income of $5 million, and the authors explained that any error resulting from this assumption would be so slight as to cause no significant changes in the ultimate ratios.

On this basis the compilers estimated that from 1920 to 1923 the 200 largest incomes amounted to an average of 33.5 per cent of the income of all corporations reporting net income (not deducting the deficits of corporations with no net income) and to an average of 40.7 per cent from 1926 to 1929 (table III).

Unlike Data

Acceptance of Dr. Means' methodology and conclusions has not been universal. Soon after the publication of *The Modern Corporation*, Professor W. L. Crum of Harvard published a critical article[7] on the statistical materials in this book as well as the inter-

[7] "On the Alleged Concentration of Economic Power," *The American Economic Review*, Volume XXIV, No. 1, March, 1934.

pretations based upon them. Dr. Rufus S. Tucker[8] likewise found many points on which to challenge what he referred to as Berle and Means' "unreliable statistics" and "unwarranted conclusions."

First of all, Professor Crum was not impressed by the difference between the rate of growth of the largest and that of "all corporations," because different things were measured in each case. For the 200 the original analysts measured the growth of gross assets; for all non-financial corporations they had no comparable figure, and had to fall back upon a special yardstick, made up of cash, inventory, land, buildings, and equipment. "I do not find," wrote Professor Crum, "that they present any evidence that the difference in rate of growth is not due merely or largely to this difference in the type of measure used."

To this charge, Dr. Means replied in the same journal that computations had been worked out which showed that the two series were reasonably consistent. He regretted however that such figures had not been included in his book. "I am subject to a very real criticism," he acknowledged, "in that I did not present the evidence in *The Modern Corporation* and did not discuss the need for such evidence."

Not the Same 200

Dr. Tucker made the anticipated criticism that, although the gross assets of the 200 largest non-financial corporations in 1924 were more than twice as great as those of the 200 largest in 1909, they were not the same corporations. "More than two-fifths of the 200 leaders in 1909," he declared, "fell out of the list by 1924, some because they grew so slowly, others because they were so unprofitable that they had to go out of business."

Dr. Means' silent answer to this criticism would doubtless be to point to page 34 of *The Modern Corporation* (table I) where the growth of "150 identical corporations" from 1919 to 1928 is formally tabulated. It appears from that table that the gross assets of the "same" big corporations increased by 63 per cent in nine years, a distinctly more rapid advance than that recorded elsewhere for corporations in the mass. In any event this point loses much of its force if the viewpoint is taken that the thing to be feared is domination by large corporations as such rather than by some particular group of large corporations. It is the growth of concentration that Berle and Means were exclaiming over rather than the growth of particular companies. This retort might be phrased more brusquely that the matter in hand was not a biography of corporations but a study of centralized control.

Rails and Utilities

In the first article of this series, particularly in that part dealing with the relative ownership or control of corporate assets by the illustrious 200, it became quite clear that critics did not like the inclusion of railroads, utilities, and traction companies in the list of concerns exercising ducal sway. As the inquiry moves into the area of relative growth of large corporations with these specialized industries still a part of an undifferentiated mass of greatness, it appears that the critics still did not like it.

Professor Crum in particular was attracted by the remarkable difference in rates of growth as between railroads, utilities, and industrials apparent in Berle and Means' computations on the growth of the 150 corporations which were included among the 200 largest both in 1919 and in 1928. "Why," he wanted to know, ". . . did they fail to break down their table III [table II in this article] to show the industrials separately? . . . Did they determine—and on what ground—that a breakdown was impossible or was not worth analysis and discussion?"

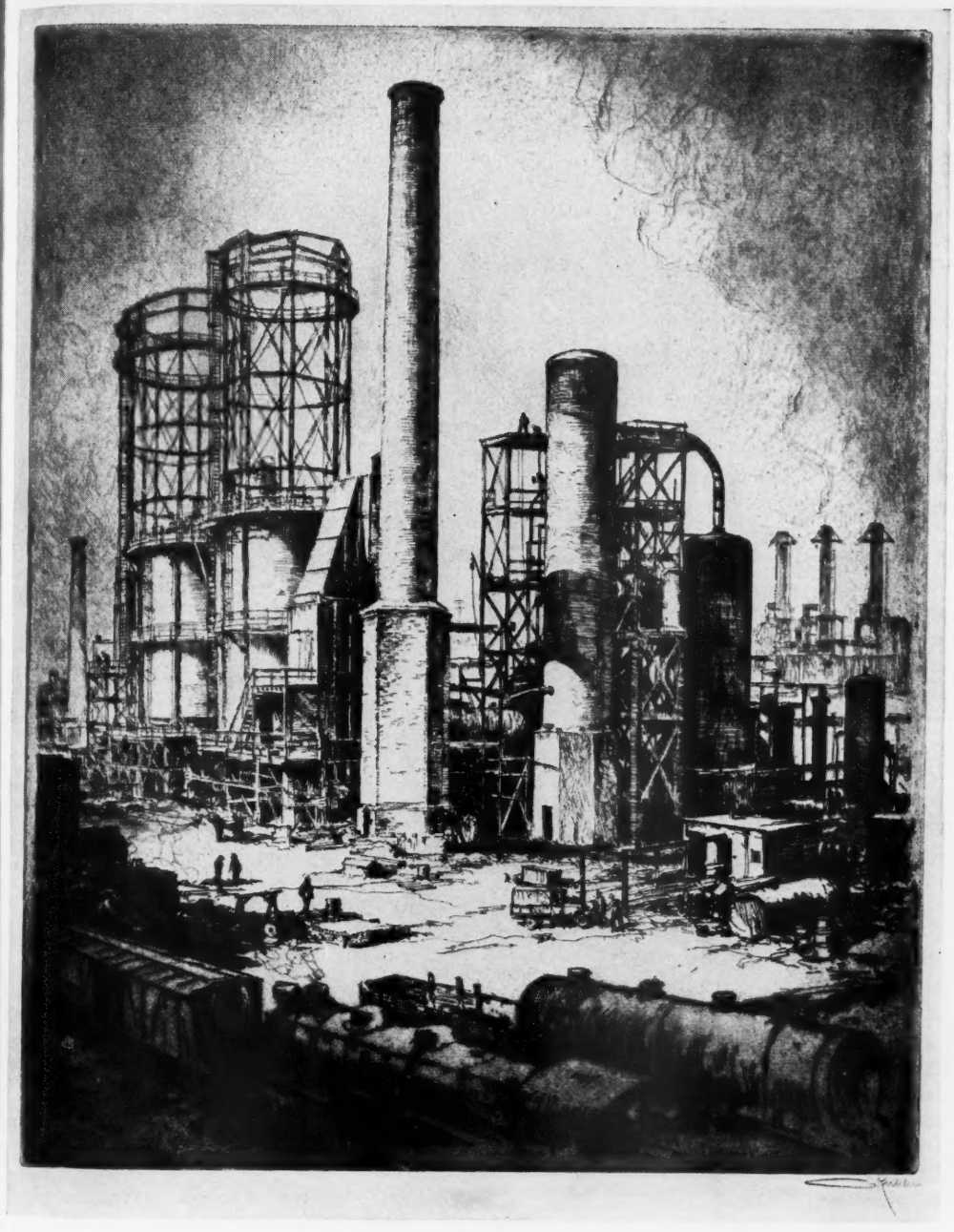
The validity of such calculations as those of Berle and Means depends heavily upon the purposes that are to be served. These particular authors happened to be concerning themselves primarily with the general fact of corporate concentration, the eccentricities of the corporate device, and the economic consequences that might be flowing from both. In this broad sense they may consider such objections to be beside the mark. If no more had been wanted than a round statistical abstraction covering the whole economy, then everything ought to be in including the army, navy, and New York Yankees.

But if among the purposes had been that of ascertaining the extent to which business properly subject to the anti-trust laws had overflowed its preserves, there would have been no justification for including utilities and railroads in the working tables. And yet it happens, as indeed was demonstrated in Berle and Means' own table on the growth of gross assets of "150 identical corporations," that the increase in public utility assets from 1919 to 1928 was 194 per cent as against a mere 58 per cent for the industrials; although the growth in railroad concentration during that particular period was only 24 per cent and the overall growth 63 per cent.

As an interesting speculation, it is possible that were it not for the utilities, the current vogue in exciting exposures might not have been so pronounced and the country would have been deprived of some unusually choice examples of ringing denunciation. At any rate, whatever their abuses of the privilege, or the infirmities of governmental supervision, it has been public policy to grant monopolistic positions to railroads and public utilities. The observation is pardonable that when we set certain industries apart for special treatment under special forms of regulation, there is not too much sense in refusing them special analytical treatment when the subject of business conduct is up.

For the purpose upon which they were intent, Berle and Means did not consider such distinctions important. They were merely setting up certain general premises from which to move

[8] "Increasing Concentration of Business Not Supported by Statistical Evidence," *The Annalist*, July 31, 1936.



"Oil Refinery"—an etching by Otto Kuhler, well known for his work in industrial subjects. This print, size 16⅞" x 15⅝", emphasizes the towering heights which the refinery attains, seeming to dwarf the giant buildings and machines below. (Reproduced by courtesy of Kennedy & Company.)

on to a worried dissection of corporation law and practice. But the public as usual has proceeded to press specific data into the service of whatever broad issue happened to be holding its attention at the minute—in this case "monopoly" and the anti-trust laws.

Dr. Tucker objected to Berle and Means' estimate of all corporate wealth in 1909, which he charged was liberally saturated with water. He wrote: "By comparing the watered capitalization in 1909 with the actual value of assets in 1924, they naturally got a low rate of increase between those years [62 per cent] . . . . During the same period the national income increased two and one-half times, the national wealth doubled and the general price level rose 75 per cent. The net income of all corporations was over twice as large in 1923 and 1924 as in 1909.[9] It is

[9] According to the National Industrial Conference Board realized national income was $26.2 billion in 1909, $67.0 billion in 1924, national wealth was $159.4 billion in 1909, $337.9 billion in 1924. In *The Review of Economic Statistics*, February 15, 1934, Carl Snyder's index of the general price level is given as 94 in 1909, 166 in 1924. According to *Statistics of Income*, corporation net income was $3.5 billion in 1909, $7.6 billion in 1924.

reasonable to suppose that their assets were also approximately twice as great. In other words, there is no statistical evidence that the 200 largest grew any faster than the others."

Dr. Tucker's reference to "watered capitalization in 1909" requires a bit of amplification. It will be remembered that Dr. Means arrived at his estimate of 1909 corporate wealth by assuming that it bore the same relationship to the 1924 wealth figure (which he had) as par value of capital stocks and indebtedness in 1909 did to "fair value of capital stocks" plus debt in 1924.

Dr. Tucker became convinced however that no such relationship existed for the reason that the 1924 figure corresponded closely to true asset values; while in 1909 the age for such refinements had not yet arrived and the figure used to represent par value of capital stocks plus indebtedness was in excess of true asset values. In other words, there was water in the 1909 totals and not in those of 1924.

It will not be overlooked however that if 1909 stock values were swollen with water, then the values of the titans' gross assets were similarly inflated, and their subsequent growth understated to the extent that the water was expelled by 1924. Dr. Tucker must assume the responsibility, therefore, of proving not merely that the growth of "all corporations" was understated by Means' figures, but also that the amount of that understatement was greater than that for the largest. The statistical issue is how to determine the differing effects of different amounts of water on different measures.

Dr. Tucker's argument that the growth of "all corporations" is understated obviously rests upon an assumption that there was water in the 1909 *stock* figure. The emphasis on *stock* is important, since surplus did not enter into the 1909 base. That the assumption is a reasonable one is generally believed. Certain specific data on the changing relation of surplus to capital stock since 1913 may be regarded as constructive evidence on the point in question even though not entirely conclusive. The question is: was such part of the growth of "all corporations" between 1909 and 1924 as was contributed by earnings and additions to surplus adequately represented in the 1924 end of the yardstick? The "fair value" of stocks[10] in 1924 actually included such part of the reported surplus of that year as was found to represent genuine assets.[11] But it is a matter of record that all through the intervening years, particularly out of the heavy profits of the war years, surplus both was being accumulated and was becoming larger in proportion to capital stock. As impressive surpluses are believed not to have been fashionable in 1909, the inference is that an important part of the 1909 stock was water. For if the respectable surplus standing on the books in 1924 had been truly earned, and still could not be credited with much real worth (ignoring the further probability of new money having been invested), par stock values of 1909 must have been proportionally hollow.

Surplus and Stock

Figures compiled by the Federal Trade Commission[12] indicate that from 1913 to 1920 the surplus of a sample of 2,971 corporations rose 160 per cent, as against 36 per cent for the stock capitalization of another sample of 2,846 corporations, or over four times as much. From 1920 to 1927, however, capitalization soared, due partly to the Eisner-Macomber decision in 1920, which declared stock dividends in the main non-taxable to recipients.

It is to be recognized that the presumably heavy flow of stock dividends in 1920 and 1921 (there is no record of the actual payments made during these particular years) shifted to capital account some portion of the heavy surplus accumulated up to 1920, and that portion would consequently be present and accounted for in Means' "fair value of stocks" plus indebtedness in 1924. In 1922, where the record picks up, stock and cash dividends were about even, but from 1923 on, stock dividends relapsed into relative insignificance.

Dr. Tucker had another reason for suspecting that in the particular year 1909, stock capitalizations were unusually damp. There was in that year an excise tax on corporate incomes, which could be lightened under a provision permitting deduction of interest paid on such amount of indebtedness as did not exceed the paid-up capital stock. Naturally this concession would encourage the conversion of surpluses into stock where indebtedness was greater than stock.

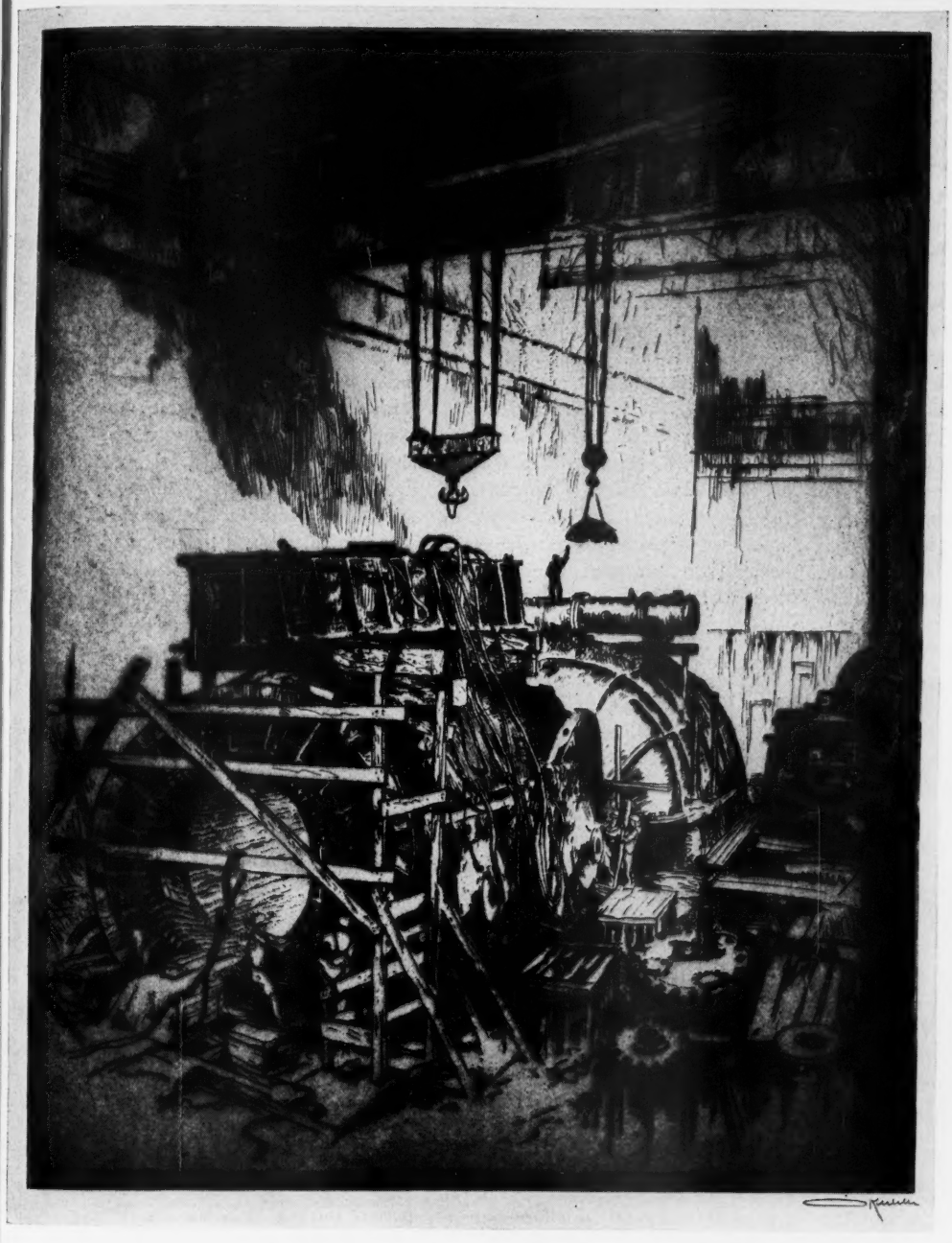
There are no strong grounds for believing, however, that any such law could whip up much of an inflationary trend. The fraction of concerns with indebtedness in excess of stock was hardly substantial even in those days of daring finance. The railroads probably qualified, although the extent to which they may have taken advantage of their opportunity cannot be known. After all the tax was new and amounted to only 1 per cent, and industry was not so schooled as today in the art of moulding capital structures to the tax needs of the hour. All that can be said is that whatever did happen along these lines—probably of modest proportions—helped to inflate capital-stock-and-indebtedness figures in 1909 for the purpose to which Dr. Means put them.

Even assuming that the presence of water in the 1909 stock figures has been adequately proven, the case is not yet closed. It is only reasonable to point out that the gradual evaporation of part of the water in the 1909 gross assets of the 200 must have concealed some of the actual growth of their real or tan-

[10] "The fair value of the capital stock is the estimated value of the entire outstanding stock of the corporation considered as a going concern, giving due consideration to the present worth of the assets, tangible and intangible, the earning capacity, dividends disbursed, the market value of shares, and other factors that affect values generally." (*Statistics of Income*, 1925, page 30.)

[11] For non-financial corporations which reported par value of common stocks, the excess of "fair value" over par value amounted to approximately 20 per cent of net surplus. For the same companies, the portion of surplus not included in "fair value" amounted to 27 per cent of the "fair value" finally arrived at. For corporations reporting no-par-value common stock and for those not specifying as to par value of common stock, the value of common stock is not available. However, the "fair value" of the non-financial corporations reporting par value amounted to about seven-eighths of the total "fair value" of all non-financial corporations. (*Statistics of Income*, 1925, pages 31, 42, 46.)

[12] *Report on Stock Dividends*, Federal Trade Commission, 1927, pages 7, 11. The actual dates were those nearest the stated closing dates.



"Turbine Construction" —an etching by Otto Kuhler, 17¾" x 13⅞". (Courtesy of Kennedy & Company.) Correct values of light and shade make this print particularly pleasing. One of the interesting points about etchings is the difference in each print. In one instance prints from a plate by Rembrandt varied in price from $200 to $50,000.

gible wealth, for the reason that it is precisely in the space between wealth and gross assets that moisture is most likely to collect.

The point has significance principally because the growth rate of the giants was being compared with that of the physical wealth of "all corporations." And if, as popularly supposed, overstatement of assets and write-ups of intangibles were most prevalent among the largest companies, there would be an even larger proportion of water in their capital structures than in those of "all corporations" to which they were contributing this water. Likewise the trend in accounting practice toward understating assets, which may have gotten under way in some quarters by 1924, could have acted to slow down the apparent rate of growth of the giants to the extent that large companies adopted the new "fashion" sooner or on a larger scale than did their smaller counterparts. However, that there was still some water in the 1924 gross assets of the 200 seems fairly clear from the fact that only 21 per cent of the 1924 book surplus of corporations with par value stock was conceded to

represent real values. A disproportionate share of this "water" would, as previously assumed, be found in the cofferdams of the giants.[13]

To say that the growth of the 200 is understated does not of course entirely answer the charge that the growth of "all corporations" is understated. There is considerable reason to suppose that if both giants and "all corporations" had been measured in terms of gross assets, the growth of the former would have been understated to a greater extent than that of the latter, thus actually accentuating the disparities shown by the figures Dr. Means used. The difficulty is that the growth of "all corporations" was tested not by gross assets but on the basis of a comparison between par value of stock and indebtedness in 1909 and indebtedness plus an artificial figure called "fair value" in 1924. The growth of both contestants was in fact understated because of the absorption of water. Which of them suffered from that fact the most? The statistical phrasing of the question is whether the ratio of the moderately inflated gross assets of the giants in 1924 to their heavily watered gross assets in 1909, resulted in a larger or smaller understatement of growth than did the ratio of the actual total of the debt and stock (plus a pinch of surplus) of "all corporations" in 1924 to their 1909 total of debt and heavily watered stock (but no surplus). Until that surrealist equation is solved, there is no precise answer to the basic question of who grew faster, and how much.

Investments

Dr. Tucker also took exception to the way in which the respective growth rates were computed between 1924 and 1929. It will be noticed from table II that the 200 largest were credited with an increase in gross assets during the period from $54 billion to $81 billion or 50 per cent, while the wealth of "all corporations" advanced much more modestly from $103 billion to $132 billion or a little over 28 per cent.

[13] See footnote 11.

Tucker's objection rested on the claim that Berle and Means "*included* in the assets of the *large* corporations all their investments in other corporations and notes and accounts receivable, and very carefully *excluded* investments and notes and accounts receivable from the assets of the *small* corporations." This he believed should not have been done. Since "investments were constantly becoming a larger proportion of the assets of . . . corporations between 1924 and 1929," he reasoned that their exclusion when stating the assets of small corporations and their inclusion when stating the assets of large corporations "naturally tends to show that large corporations grow more rapidly, but such figures should not be taken at their face value."

Progressive Injustice

As may be recalled from the March DUN'S REVIEW, Tucker similarly objected to the inclusion of investments in the assets of the 200 and their exclusion from the assets of "all corporations" in connection with the comparison made by Dr. Means between the assets of these contending groups in the single year 1929. The point now being made is not quite the same. The issue involved here is that if "all corporations" were being dealt an injustice by being measured without their investments, such injustice would become progressive in any long-term test for the reason that investments were becoming constantly more important to all concerned.

But although the point is different, Dr. Means' reply is the same as to the original objection. In effect, investments were not included in either set of figures, and their apparent retention among the assets of the giants was due only to an assumption that investments in uncontrolled corporations were practically equivalent to such part of the assets of controlled but unconsolidated subsidiaries as were not formally represented by stock holdings in the books of the parents. This assumption he believed he had successfully confirmed by test sampling. A full explanation of the formula used by Means in his treatment of investments may be reviewed on page 30 of the March DUN'S REVIEW.

The objection to Dr. Means' exclusion of receivables really falls under the heading of Professor Crum's complaint that gross assets were one thing and wealth (*i.e.,* real estate, buildings, equipment, cash, and inventories) another, and that comparisons between them would not necessarily have significance. With reference to this particular point the mention of receivables also brings to mind such balance sheet items as government securities, miscellaneous reserves, and intangibles, which help to swell the assets of the giants but which have no place in an enumeration of the purely physical assets of the general group.

The importance of the separate treatment of the two series with respect to "non-wealth" assets depends on whether those assets grew at the same rate as the totals of the series to which they are related. Thus is added another speculative element to the general effort. Dr. Means thought for example that intangibles and receivables had grown less rapidly than wealth, government securities more rapidly.

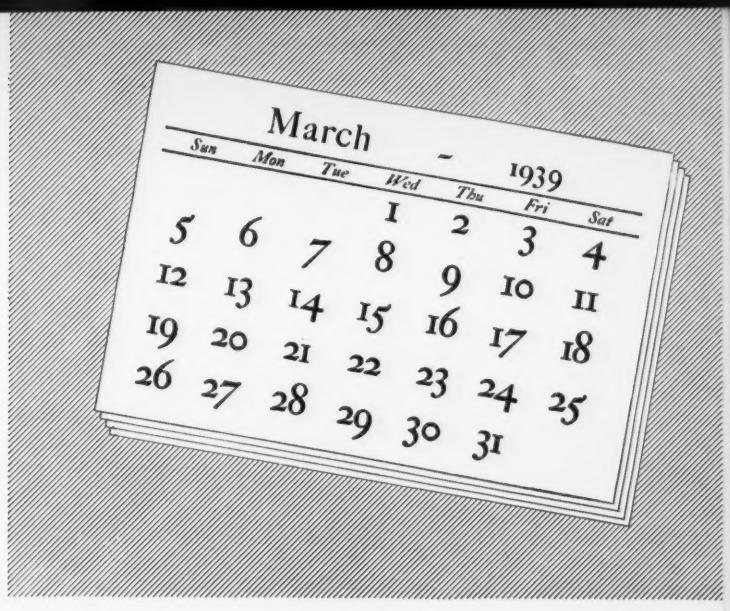
A Check

As a rough check on the comparability of wealth with gross assets, the *Statistics of Income* for 1926 and thereafter carry data which can be pressed into service. Gross assets of all non-financial corporations[14] increased from $165 billions in 1926 to $201 billions in 1929, roughly 22 per cent. In the same period, the wealth of all non-financial corporations (shown in table II) increased from $112 billions to $131 billions, or only 17 per cent. Whether such a difference is indicative of a fundamental incompatibility in the natures of the two series is difficult to judge.

(Continued on page 56)

[14] The gross assets totals have been adjusted to include an approximation of assets of non-financial corporations not submitting balance sheets, by the method Dr. Means used to adjust the wealth data in table II. However, these gross assets include investments in other corporations, which in effect were deducted by Dr. Means from the gross assets of the 200, for reasons already explained.

THE BUSINESS DIARY MARCH · 1939



Cotton surplus and tax revision are prominent domestic issues. . . . Jitterbug fever spreads under Hitler's baton as Czecho-Slovakia exits. . . . Stocks reflect vibrations of international jam session.

2 CARDINAL PACELLI elected Pope Pius XII.

3 TAX revision drive opens in Congress.

4 PRESIDENT approves bills extending operations of RFC, Commodity Credit Corporation, and Export-Import Bank to June 30, 1941. 150th anniversary of first Congress under the Constitution.

6 COL. EDWIN M. WATSON appointed to White House secretariat, succeeding James Roosevelt. Japan announces plan for fleet equal to greatest.

7 AF OF L rejects CIO proposal for united labor congress. Homer Martin elected president of independent automobile workers' union.

8 STOCKS rise strongly in widest advance since December. Harold D. Smith appointed Director of the Federal Budget. Britain grants China £5,000,000 credit to bolster currency.

9 UNITED STATES and Brazil conclude trade and credit agreements.

13 FOOD trade endorses Government plan to distribute farm surpluses to relief clients.

14 PRESIDENT again demands additional $150,000,000 for work relief. AF of L-CIO peace conference adjourns. Germany completes second act of Czecho-Slovakian drama by dissolving that republic.

15 BLUE Monday (income tax deadline). Hitler enters Prague.

17 UNITED STATES severely condemns seizure of Czecho-Slovakia. Stocks suffer sharpest decline of the year. Day for wearin' o' the green.

18 UNITED STATES raises duties 25 per cent on German imports, including those of Czecho-Slovakia, effective April 22. Gold store of United States passes $15,000,000,000 level, a new maximum for any country.

19 RUMANIA accepts Reich trade pact.

20 WILLIAM O. DOUGLAS, SEC chairman, nominated for Supreme Court. United States refuses to recognize Reich "protectorate" over Czecho-Slovakia. Britain seeks anti-Hitler bloc.

21 LEBRUN and George VI pledge stand on aggression. Highest proportion of unmarried young people found to be in Ireland. Spring arrives officially.

22 LITHUANIA signs surrender treaty with Reich.

23 UNITED STATES terminates trade pact with Czecho-Slovakia, effective April 22.

24 MORGENTHAU proposes delay in application of full Social Security taxes. House tables resolution for impeachment of Secretary Perkins.

26 MUSSOLINI, in speech, invites France to discuss colonial issues.

27 SUPREME COURT bans reciprocal tax immunity of Federal and State employees. House adopts resolution for investigation of WPA.

28 ROOSEVELT proposes export subsidy to move cotton surplus. Madrid surrenders to Franco.

29 FRANCO completes conquest of Spain as last nine provincial capitals yield. Daladier asks Italy to clarify demands.

30 EX-SENATOR FRED H. BROWN nominated as Controller General of the United States. AF of L-CIO conference resumes. Britain and France pledge armed aid to Poland.

31 STOCKS drop to lowest levels since Munich crisis.

FORD RIVER ROUGE PLANT—ATLAS PHOTOS

THE TREND OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

Measurements of trade and industry continued to show increases over a year ago, but activity during March and early April failed to register definite monthly gains. Impaired sentiment was expressed in a reluctance to make forward commitments. Anxiety over foreign affairs was an important contributing influence; security markets sagged.

ACTUAL business volume has not been affected by recent developments so much as has the attitude of business men toward taking risks on the future. The chief factors tending to depress activity continue to be non-economic. Repeated threats of an international conflict have been reflected in successive plunges in security prices, while the domestic situation has been somewhat clouded by the fact that business men are taking a less optimistic view of prospective government-business co-operation. Strain and uncertainty have characterized the state of mind of many business men during March and early April.

Industrial Production

Federal Reserve Board Adjusted Index

1923-1925 = 100

	1936	1937	1938	1939
January	97	114	80	101
February	94	116	79	98
March	93	118	79	98
April	101	118	77	
May	101	118	76	
June	104	114	77	
July	108	114	83	
August	108	117	88	
September	109	111	92	
October	110	102	96	
November	114	88	93	
December	121	84	104	

Lending a further dark tinge to the general picture has been the shutdown of bituminous coal mines pending settlement of the dispute over a new labor contract. The resulting decline in coal production and shipments caused indexes of general business conditions to sink to somewhat lower levels than might otherwise have prevailed.

Too pessimistic an outlook, however, might be rather unwarranted, because, despite the coal strike and the low level of stock prices, seasonal gains were recorded in some manufacturing industries, in retail trade, and in construction operations during March. Activity as a whole showed little variation from February, and it was not until April was well under way that a slight downward trend was clearly detected.

Factory Payrolls

U.S.B.L.S. Index (Revised)

1923-1925 = 100

	1936	1937	1938	1939
January	76.7	94.4	75.0	83.2
February	76.6	98.1	76.9	85.3
March	80.3	105.5	77.1	86.8*
April	82.3	109.3	74.6	
May	83.9	109.7	72.9	
June	84.1	107.0	70.8	
July	83.4	104.6	70.6	
August	87.1	108.2	76.9	
September	86.6	104.4	81.0	
October	91.5	104.5	83.9	
November	94.0	92.9	84.1	
December	98.8	84.2	86.8	

* Preliminary

Industrial production, as measured by the Federal Reserve Board's adjusted index, showed no extra-seasonal advance or decline during March from the February level. The figure at 98 compared with a similar figure in February and with a figure of 79 in March, 1938. Manufacturing activity in April declined noticeably only in the mineral production field.

Diverse influences affected the most important of the durable goods, steel, during March. Ingot production gained slightly from 54.1 to 55.6 per cent of capacity, and the gross tonnage was the best for any month since last November. Automotive buying was at a comparatively low level, so that this source of demand proved to be more of a sustaining influence than a bolstering factor. Railroad buying was somewhat heavier than previously, and orders from contractors and home appliance manufacturers showed some improvement. The coal tie-up affected steel output in April, the rate dropping to about 52 per cent of capacity, as steps taken to conserve coal supplies on hand resulted in curtailment of operations. Structural steel purchases continued to be the brightest spot in the industry.

Both production and shipments of bituminous coal declined more than

seasonally during March, and, as the strike continued, the April figures showed a further sharp drop. Freight-car loadings were considerably smaller because of this, but car loadings other than coal—that is, merchandise and miscellaneous freight—showed an increase.

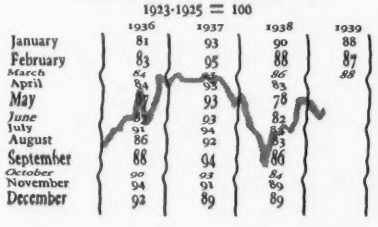
Other important industries reported net gains for the month. Machine tool orders, continuing the good levels prevailing since last Fall, recorded a further substantial advance in March. Automobile assemblies, while not increasing quite to the extent of seasonal expectations, continued to average more than 50 per cent above a year ago.

Construction activity—still the most encouraging factor in the domestic economy—showed no signs of slackening during the month. Total contracts gained 36 per cent over February and were 32 per cent ahead of last year, according to F. W. Dodge data. Residential contracts rose to the highest

Department Store Sales

Federal Reserve Board Adjusted Index

1923-1925 = 100



level for any month since October, 1929, and showed a more-than-seasonal increase over February, about 59 per cent.

Production of non-durable goods, as a whole, showed no very significant changes. Cotton textile activity remained at a level close to the February rate. Mill consumption of raw cotton exceeded any month since June, 1937. Seasonally corrected deliveries of raw silk were higher than in February. Rayon deliveries during March declined on a daily basis from the previous month's level. Woolen textile activity showed a decrease from the high level of recent months, and furniture activity showed a contra-seasonal decline, while shoe producers reported good volume, and meat-packing houses and sugar refineries showed increased activity.

The net effect of the fluctuations in activity in the various industries during March was partially reflected by the slightly more-than-seasonal advance in employment and payrolls. The preliminary index of factory payrolls (BLS) rose to 86.8 in March from 85.3 in February. Chief seasonal gains were in industries manufacturing construction materials, metals and machinery, and clothing and millinery. Farm income also showed a contra-seasonal in-

Wholesale Commodity Prices

U.S.B.L.S. Index—1926 = 100

Week	Jan. 1939	Feb. 1939	Mar. 1939	Apr. 1939
I	77.0	76.6	76.7	76.5
II	76.8	76.6	77.0	75.9
III	76.6	76.6	76.7	75.8
IV	76.7	76.8	76.6	

crease in March, due primarily to larger returns from marketings of livestock and livestock products.

Moderate price decreases occurred. The BLS index of wholesale commodity prices was at about 76 in early April—the lowest point since December, 1934. Principal declines were in the prices of farm products and food. In general, finished goods prices fell more than prices of raw materials.

Retail sales responded to the slightly improved level of purchasing power. Department store sales (FRB adjusted index) rose from 87 to 88 between February and March, and topped the corresponding volume of March, 1938, by about 8 per cent. Rural sales, based on rural chain-store and mail-order returns, were about 17 per cent above March, 1938, and about 15 per cent above February. Variety store sales, seasonally adjusted, showed a gain of about 5 per cent over February, and about 3 per cent over 1938. Sales of apparel and house-furnishings made the best showing, in general, and furniture sales showed a gain of about 7 per cent over a year ago.

Wholesale buying continued to be more active than a year ago. The emphasis, however, was on goods for immediate delivery, and on reorders of seasonable merchandise such as apparel, since merchants still hesitated to make commitments for very far in the

Industrial Stock Prices

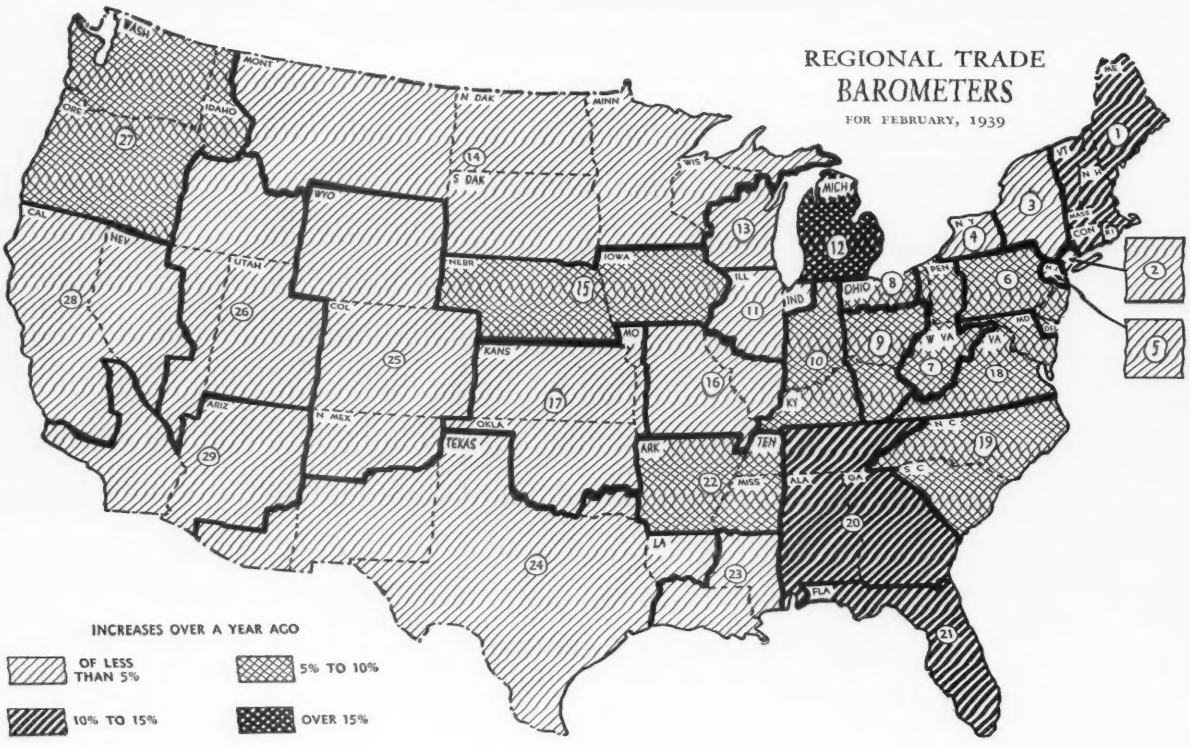
Dow-Jones Index (Weekly Average)

Week	Jan. 1939	Feb. 1939	Mar. 1939	Apr. 1939
I	153.22	143.45	147.71	136.93
II	148.57	144.47	150.84	128.03
III	148.59	144.92	147.11	126.21
IV	139.58	144.11	141.32	127.57

future. For this reason, inventories continued to remain fairly low.

The financial aspects of the business picture were more forlorn than most other features. Stock prices oscillated with the rapidly changing world picture, and a series of sharp drops brought averages to the lowest level in many months by the middle of April. Corporate bond quotations also weakened. Security transactions on the New York Stock Exchange numbered 24,563,174 in March as compared with 13,873,823 in February. As the probability of immediate warfare abated somewhat, a slightly firmer tone was noted in the markets. No significant amounts of new capital issues or commercial loans were noted during recent weeks.

International uncertainty also aggravated the situation arising from the gold inflow from Europe to this country. Although foreign exchange rates were rather steady, March imports of gold aggregated $365,436,437, the largest for any month since the Czecho-Slovakian crisis in September. During the last two years, gold stocks in the United States have risen to more than $15,000,000,000, and since they now total about 58 per cent of the holdings of the world's central banks, a real problem has arisen which is demanding the attention of money economists.



TRADE INDEX TURNS UPWARD

The United States Trade Barometer rose to 86.0 (preliminary) in March from 84.1 in February. Barometer figures are compiled by Dr. L.D.H. Weld, Director of Research, McCann-Erickson, Inc.; trade information is reported by 157 district offices of DUN & BRADSTREET, INC.

RETAIL trade activity during March recovered sufficiently on a seasonal basis to cause the United States Trade Barometer partially to regain the ground lost in two previous monthly declines. The preliminary March index at 86.0 showed a 2.3 per cent gain over the February level, and exceeded the March 1938 index by more than 8 per cent. The barometer, however, was still at a point 10.2 per cent below the recent peak of 95.6 in December 1938.

Despite the irregularities of this year's March weather, retail sales were concentrated particularly in ready-to-wear and millinery departments, in preparation for the approach of Easter. An improvement was also noted in sales of housefurnishings, electrical appliances, floor coverings, etc. Habitual Spring landscape-improvers began to purchase garden hardware, paint, and fertilizers. Department store sales, bank debits, new automobile sales, and other evidences of trade activity all showed net increases over the level of the previous month and over volume a year ago.

Wholesale activity likewise showed an emphasis on Spring apparel and accessories. Volume did not quite come up to expectations for the month, however, chiefly because cold, wet weather caused a postponement of many re-orders of seasonable merchandise. Orders as a whole continued to be for spot or immediate, rather than future, delivery, and virtually no overstocking of retailers' inventories was noted. Summer and Fall goods were bought sparingly, when at all.

In February, as in the previous month, the majority of the twenty-nine regions registered declines from the preceding month's level. Only two regions—New England and Pittsburgh—showed increases, of 1 per cent and 0.6 per cent respectively. The declines from the January level ranged from 2 to 18 per cent. The regions closest to January with respect to trade volume were Northern New Jer-

sey and Salt Lake City; those showing declines of more than 10 per cent from the previous month were Chicago, Iowa and Nebraska, St. Louis, Kansas City, and New Orleans.

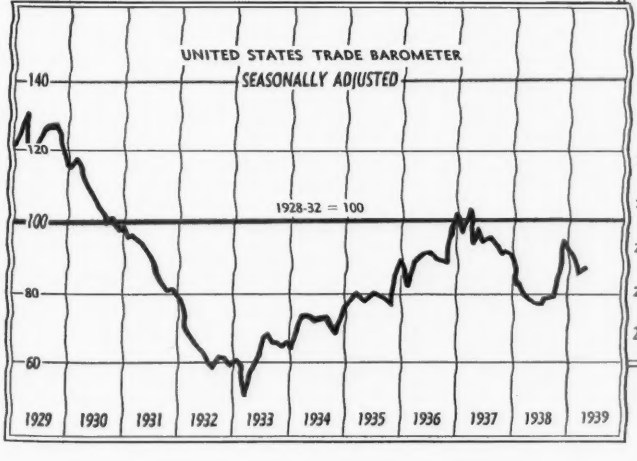
In comparison with a year ago, no region showed a decrease. The largest increase, 15.3 per cent, was reported in the Detroit area. Only four regions, including Detroit, showed gains of more than 10 per cent over a year ago; New England, Atlanta and Birmingham, and Florida gained respectively 14.1, 10.8, and 11.4 per cent over February 1938. Most of the regions, including New York State and most of the States west of the Mississippi, registered gains of less than 5 per cent over a year ago—there were fifteen regions in all in this category. Ten regions, concentrated for the most part in the East Central areas, showed more-than-seasonal gains in activity of between 5 and 10 per cent.

Only four regional barometers exceeded the 1928-1932 average during February, as compared with nine regions in January. The Atlanta and Birmingham territory, which has been in the lead several times in recent months, was again the highest in this regard with an index of 113.6.

THE MAP AND CHART compare the February, 1939, indexes with those for the same month a year ago. The column at the extreme right of the chart indicates the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

THE INDEXES for the regions are charted, with U. S., from 1937, on pages 42-45. They are composites based on: bank debits (Federal Reserve Board), department store sales (Federal Reserve Board), new car registrations (R. L. Polk & Company), and life insurance sales (Life Insurance Sales Research Bureau). In regions 2, 3, 4, 5, and 14, wholesale sales (Department of Commerce), and in region 2, advertising linage (Editor and Publisher), which were found to make those indexes more accurate, are included. In region 15, department store sales have been omitted. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The monthly average for the five years 1928-1932 equals 100. The preliminary figure for the United States is computed one month before the regional figures are available.

THE PARAGRAPHS printed opposite the 29 regional charts quote figures for February based on samples of department and retail stores reporting to the Federal Reserve banks; for March and for the first half of April based on opinions and comments of business men in various lines of trade, gathered and weighed by the local DUN & BRADSTREET offices.



REGIONAL TRADE BAROMETERS

REGION	February 1939 Regional Index	Feb. 1939 Compared with Feb. 1938 (%)	Retail 1935 Sales %
		−10 0 +10 +20 +30	
U. S.	84.1	+ 4.9	100.0
1. NEW ENGLAND	84.4	+14.1	7.8
2. NEW YORK CITY	72.7	+ 2.4	10.3
3. ALBANY AND SYRACUSE	86.6	+ 4.1	2.5
4. BUFFALO AND ROCHESTER	76.1	+ 2.1	1.9
5. NORTHERN NEW JERSEY	77.4	+ 3.3	2.9
6. PHILADELPHIA	77.0	+ 6.6	6.2
7. PITTSBURGH	82.9	+ 6.3	3.7
8. CLEVELAND	86.1	+ 9.5	2.9
9. CINCINNATI AND COLUMBUS	93.3	+ 5.3	3.1
10. INDIANAPOLIS AND LOUISVILLE	93.3	+ 6.4	2.6
11. CHICAGO	82.1	+ 0.4	6.4
12. DETROIT	83.8	+15.3	4.0
13. MILWAUKEE	91.3	+ 3.3	2.2
14. MINNEAPOLIS AND ST. PAUL	90.3	+ 1.2	4.5
15. IOWA AND NEBRASKA	81.4	+ 7.0	3.0
16. ST. LOUIS	84.0	+ 3.8	2.5
17. KANSAS CITY	87.4	+ 0.1	3.6
18. MARYLAND AND VIRGINIA	99.2	+ 6.4	3.8
19. NORTH AND SOUTH CAROLINA	101.4	+ 9.1	2.1
20. ATLANTA AND BIRMINGHAM	113.6	+10.8	3.5
21. FLORIDA	112.0	+11.4	1.3
22. MEMPHIS	92.1	+ 7.3	1.5
23. NEW ORLEANS	94.2	0.0	1.0
24. TEXAS	111.5	+ 0.9	4.5
25. DENVER	97.1	+ 1.3	1.3
26. SALT LAKE CITY	90.0	+ 1.2	.8
27. PORTLAND AND SEATTLE	87.5	+ 8.6	2.7
28. SAN FRANCISCO	85.5	+ 4.3	3.4
29. LOS ANGELES	87.1	+ 3.7	3.9

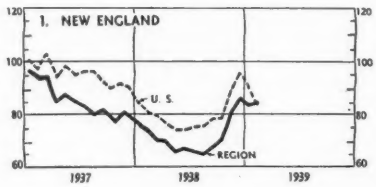
THE REGIONAL TRADE BAROMETERS

These indexes of consumer purchasing are corrected for seasonal variation; the monthly average for the five years 1928-1932 equals 100 (see preceding page). Charts showing the curves since January, 1928, were published in the March, 1939, number and will appear semi-annually. Additional information about the indexes and about their especial usefulness in regional sales quota work, back figures, and data about regional boundaries is available for users of the indexes.

1. New England

FEB., 84.4 JAN., 83.6 FEB. 1938, 74.0

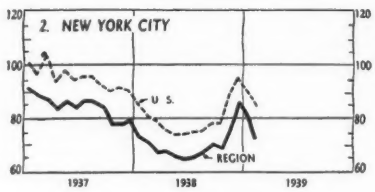
FEBRUARY—Percentage department store sales changes from previous February: Boston +1, Providence +5, New Haven —7. MARCH—Percentage retail trade changes from previous March: Bangor–Portland —5, Manchester 0, Boston–Hartford +3, New Bedford–New Haven +5, Springfield —15, Worcester —4, Providence +2. Wholesale trade changes: Portland —5, Boston +5, Springfield —15. Payrolls and production generally steady to above last year. Shoe and textile industries slowing down after pre-Easter activity. Metal manufacturers proceeding cautiously because of uncertain European situation. Collections fair. APRIL—Department store sales about 5% above March. Moderate orders for white shoes.



2. New York City

FEB., 72.7 JAN., 78.9 FEB. 1938, 71.0

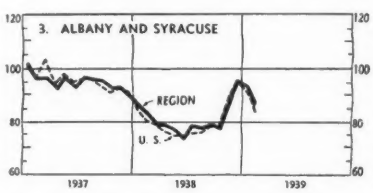
FEBRUARY—Percentage department store sales changes from previous February: New York City —6, Bridgeport 0, Westchester–Stamford —5. MARCH—Percentage retail trade changes from previous March: Bridgeport —10, New York City department store sales +4, parcel deliveries +4, hotel sales 0. Bank clearings up 11% from a year ago in New York City, up 2% in Westchester County. Employment increased 2% and payrolls 7% over previous month; chief increases at women's clothing and headwear plants, printing houses, and building supplies firms. Layoffs reported by men's clothing firms. APRIL—Manufacturers and distributors of Summer sportswear report orders up 10%. Retail trade up slightly.



3. Albany and Syracuse

FEB., 86.6 JAN., 93.5 FEB. 1938, 83.2

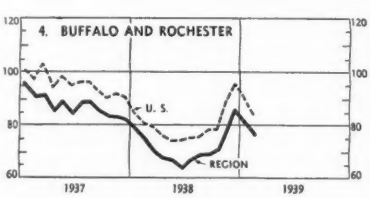
FEBRUARY—Percentage department store sales decreases from previous February: Syracuse 3, Northern State 17, Central State 2. MARCH—Percentage retail trade increases over previous March: Albany 0, Binghamton 3, Utica 5, Syracuse 6. Wholesale trade changes: Albany 0, Syracuse +2. Farmers awaiting Spring weather, disposing of produce on hand; prices inclined downward. Payrolls and production above last year. Shoe factories operating on curtailed schedules. Knitwear manufacturing spotty. Rayon yarn manufacturing improved. Collections fair. APRIL—Adverse weather conditions affected retail trade. Wholesale buying principally of hand-to-mouth variety. Industry spotty.



4. Buffalo and Rochester

FEB., 76.1 JAN., 81.9 FEB. 1938, 74.5

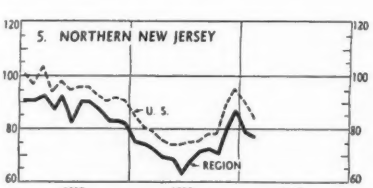
FEBRUARY—Percentage department store sales decreases from previous February: Buffalo 4, Rochester 2, Niagara Falls 0. MARCH—Percentage retail trade changes from previous March: Buffalo +2, Jamestown 0, Elmira —5, Rochester +1. Buffalo wholesale trade up 1% from last March. Farm income below last year. Payrolls and production steady to below a year ago. Employment generally steady. Jamestown factories slower than in February. Collections steady to slow. APRIL—Easter spurt in retail sales lifted totals above last year's level. Airplane and airplane parts manufacturing improved. Buffalo steel production showed gain of more than 30% over last year's comparative.



5. Northern New Jersey

FEB., 77.4 JAN., 79.0 FEB. 1938, 74.9

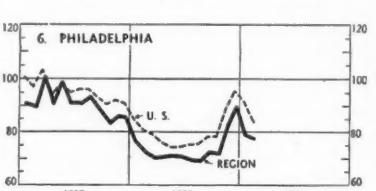
FEBRUARY—Northern New Jersey department store sales 4% below previous February. MARCH—Newark retail trade up 20% from previous March; wholesale trade up 5%. Bank clearings below last year in Newark, up 4% in Northern New Jersey. Production up from a year ago, steady with February. Sales, employment and payrolls show improvement over 1938; little change noted from previous month. Collections slower in all trade divisions than a year ago; better than February in retail, even with month ago in wholesale and manufacturing divisions. APRIL—Manufacturers producing for immediate consumption. Suburban improvements planned. Greatest retail activity in apparel and household lines.



6. Philadelphia

FEB., 77.0 JAN., 80.3* FEB. 1938, 72.2

FEBRUARY—Percentage department store sales changes from previous February: Trenton–Philadelphia —7, Scranton —2, Harrisburg +6, Wilmington —4. MARCH—Percentage retail trade increases over previous March: Trenton 5, Allentown 14, Philadelphia 9, Reading 8, Scranton–Harrisburg–Wilmington 0, Wilkes-Barre 3, York 4; Williamsport trade off 5%. Philadelphia wholesale trade even with a year ago. Production and payrolls steady to above last year. Pottery production ahead of last year; advance orders good, particularly in hotel dinnerware line. Textile activity fair. Collections fair. APRIL—Women's and children's apparel most active of retail divisions; men's shoe sales good. * Revised.

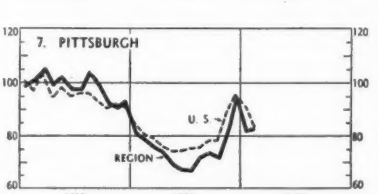


7. Pittsburgh

FEB., 82.9 JAN., 82.4 FEB. 1938, 78.0

FEBRUARY—Percentage department store sales decreases from previous February: Pittsburgh 1, Wheeling 6, West Virginia State 1. MARCH—Percentage retail trade changes from previous March: Erie–Youngstown +8, Pittsburgh–Charleston 0, Parkersburg —15, Huntington +10.

(Continued directly opposite)

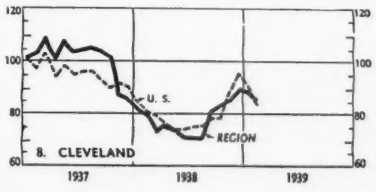


Wholesale trade increases: Erie 15, Pittsburgh 8, Charleston 0. Spring plowing and planting in progress in Charleston area. Payrolls and production steady to above last year's level. Coal miners on strike pending agreement on new union contract. Steel output averaged 51% of capacity. Glass industry improved. Collections fair to slow. APRIL—Trade spotty. Steel operations slightly slower. Coal strike still unsettled.

8. Cleveland

FEB., 86.1 JAN., 88.9 FEB. 1939, 78.6

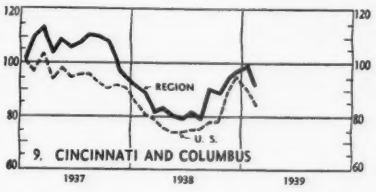
FEBRUARY—Percentage department store sales changes from previous February: Cleveland —1, Akron +18, Toledo +2. MARCH—Percentage retail trade changes from previous March: Cleveland–Akron +10, Canton +5, Lima —10, Toledo 0. Wholesale trade changes: Cleveland +9, Akron +7, Toledo —5. Payrolls and production vary in comparison with last year. Steel operations continue about 40% better than a year ago. Building active. Automotive industry somewhat uneven, but volumes well ahead of last year. Safety glass activity following automotive. Collections fair to good in comparison with a year ago. APRIL—Department store sales up about 8% from 1938. Little change in steel operations.



9. Cincinnati and Columbus

FEB., 93.3 JAN., 99.4 FEB. 1938, 88.6

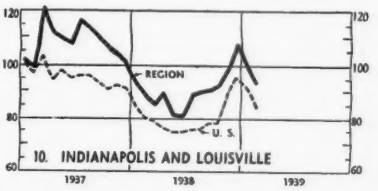
FEBRUARY—Percentage department store sales changes from previous February: Cincinnati —4, Dayton +19, Columbus +3. MARCH—Percentage retail trade changes from previous March: Cincinnati–Dayton +5, Springfield —5, Columbus +7, Zanesville +1. Wholesale trade decreases: Cincinnati 2, Columbus 10. Dairy and poultry prices down somewhat due to warmer weather. Tobacco prices unchanged. Payrolls and production generally steady with last year. New construction 33% above a year ago. Pottery business reasonably good. Steel output between 40 and 45% of capacity. Collections fair. APRIL—Easter sales lifted retail trade about 21% above last year. Wholesale buying slow.



10. Indianapolis and Louisville

FEB., 93.3 JAN., 99.3* FEB. 1938, 87.7

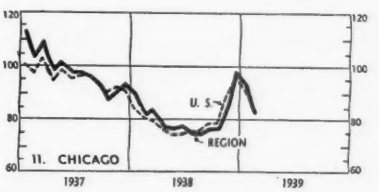
FEBRUARY—Percentage department store sales changes from previous February: Louisville —10, Indianapolis 0, Fort Wayne —3. MARCH—Percentage retail trade changes from previous March: Louisville – Evansville – Indianapolis +5, Terre Haute —10, Fort Wayne —5. Wholesale trade changes: Louisville —5, Indianapolis +12. Agricultural yield good; prices steady. Livestock prices holding up well; wholesale price of pork advanced somewhat. Payrolls and production steady with a year ago. Sales of metal beds and allied lines improved. Collections fair. APRIL—Retail sales up about 10% above 1938. Wholesale buying of electrical supplies up considerably; dry goods and notions volume about even. * Revised.



11. Chicago

FEB., 82.1 JAN., 92.9 FEB. 1938, 81.8

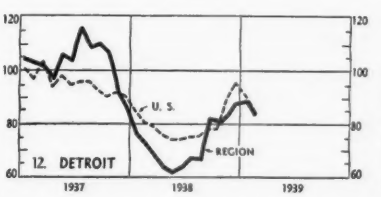
FEBRUARY—Percentage department store sales decreases from previous February: Chicago 6, Peoria 10. MARCH—Percentage retail trade changes from previous March: Chicago +3, Rockford —15, Peoria +7, South Bend +5. Chicago wholesale trade up 4% from a year ago. Farm prices generally steady; hog prices up. Payrolls and production steady to above last year. Machine tool plants called back few workers, but Rockford furniture factories slow. Automobile production increased in South Bend. Collections steady with a year ago, steady to better since February. APRIL—Retail turnover was spotty, reflecting changeable weather conditions. Wholesalers reported fair demand for Summer wares.



12. Detroit

FEB., 83.8 JAN., 87.4 FEB. 1938, 72.7

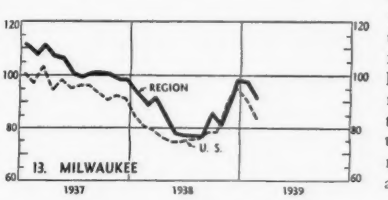
FEBRUARY—Detroit department store sales 6% above previous February. MARCH—Percentage retail trade increases over previous March: Detroit 5, Grand Rapids 8, Saginaw 10. Wholesale trade increases: Detroit 12, Grand Rapids 10. Hot house vegetables moving well; growers getting good prices for crops. Payrolls and production well above last year's level. Furniture factories operating ahead of 1938. Automobile production 45 to 50% above a year ago; sales show increase of about 65%. Collections steady with previous month, better than a year ago. APRIL—Retail sales reached highest point of year so far; volume reported 10 to 15% above 1938. Wholesale distribution likewise showed gain.



13. Milwaukee

FEB., 91.3 JAN., 97.7 FEB. 1938, 88.4

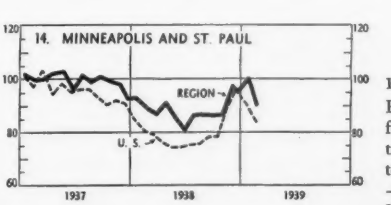
FEBRUARY—Milwaukee department store sales off 2% from previous February. MARCH—Percentage retail trade changes from previous March: Milwaukee —2, Green Bay +2. Milwaukee wholesale trade off 2% from 1938. Grocery and produce jobbers reported sales about even with last year, but price decline lowered dollar total. Further drop in dairy prices caused farmers dissatisfaction. Payrolls and production steady to above last year. Paper mills running full time; largest mill on 7-day week. Metal trades active, particularly in machine tool lines. Collections fair to slow. APRIL—Department store sales up, but retail trade as a whole slightly below a year ago. Bank debits showed increase.



14. Minneapolis and St. Paul

FEB., 90.3 JAN., 100.0 FEB. 1938, 89.2

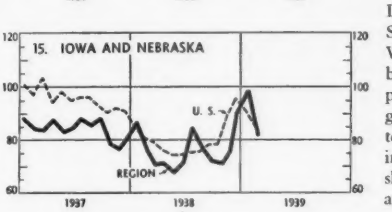
FEBRUARY—Minneapolis–St. Paul–Duluth–Superior department store sales 2% below previous February. MARCH—Percentage retail trade changes from previous March: Duluth —8, Minneapolis +2, St. Paul —3, Sioux Falls +3, Billings 0, Butte —2, Great Falls +5. Wholesale trade changes: Duluth —10, Minneapolis +1, Great Falls +5. Spring plowing starting in some sections; good prospects for plenty of moisture. Payrolls and production generally steady with a year ago. Refineries running at full capacity. Manufacturing of work clothing and heavy garments becoming more active. Flour shipments even with previous month. APRIL—Snow and sleet hampered movement of seasonable merchandise.



15. Iowa and Nebraska

FEB., 81.4 JAN., 98.3 FEB. 1938, 76.1

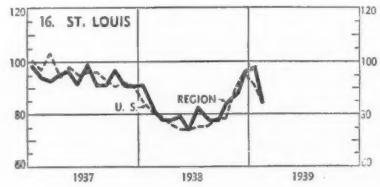
FEBRUARY—Omaha department store sales off 3% from previous February. MARCH—Percentage retail trade changes from previous March: Burlington–Davenport +10, Cedar Rapids +7, Dubuque +5, Waterloo 0, Des Moines +3, Sioux City–Lincoln —4, Omaha —6. Wholesale trade changes: Sioux City 0, Des Moines +3, Omaha —8. Winter wheat in excellent condition. Some corn being fed to hogs and cattle because of low price of corn. Considerable moisture; ground in good condition. Payrolls and production steady to above last year. Flour milling and meat packing improved. Food processing plants somewhat slow. Collections poor. APRIL—Building trades active. Retail sales about 5% below last year.



16. St. Louis

FEB., 84.0 JAN., 97.4 FEB. 1938, 80.9

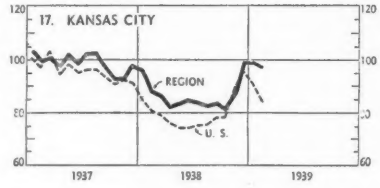
FEBRUARY—Percentage department store sales changes from previous February: St. Louis —2, Springfield +5, Quincy —9. MARCH—Percentage retail trade changes from previous March: St. Louis 0, Springfield (Mo.) +3, Springfield (Ill.) —10, Quincy +4. St. Louis wholesale trade up 5% from previous March. Winter wheat in good condition. Payrolls and production steady since February, vary in comparison with last year. Automotive, electrical, and building trades active; other manufacturing lines not up to expectations. Collections fair. APRIL—Millinery, ready-to-wear, and shoe divisions of retail trade most active. Output of electricity, boots and shoes, and beverages above last year.



17. Kansas City

FEB., 87.4 JAN., 99.1 FEB. 1938, 87.3

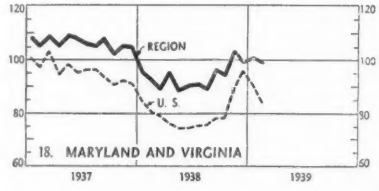
FEBRUARY—Percentage department store sales changes from previous February: Kansas City —6, Wichita —5, Oklahoma City +1, Tulsa —3. MARCH—Percentage retail trade changes from previous March: Kansas City 0, St. Joseph–Wichita —5, Topeka +3, Oklahoma City —10, Tulsa —3. Wholesale trade changes: Kansas City 0, Oklahoma —7. Crop outlook good. Temperature ideal for fruit and berries. More livestock feeding being done than for several years. Payrolls and production generally steady with a year ago. Milling up 10%; packing even; livestock shipments down 8%. Airplane manufacturer announced expansion plans. APRIL—Spring lines moving in fair volume; sales up from 1938.



18. Maryland and Virginia

FEB., 99.2 JAN., 100.6 FEB. 1938, 93.2

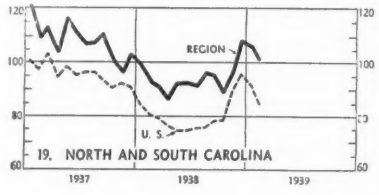
FEBRUARY—Percentage department store sales changes from previous February: Baltimore —3, Washington +1, Richmond —8, Virginia State —7. MARCH—Percentage retail trade increases over previous March: Baltimore 3, Washington 5, Norfolk 1, Richmond 2, Roanoke 4; Lynchburg trade off 4% from a year ago. Wholesale trade increases: Baltimore 2, Norfolk 0, Richmond 3. Rains have retarded Spring planting. Grains and fruits in good condition. Payrolls and production generally above last year. Cigarette manufacturing up. Shoe manufacturing active. Building active. Collections fair. APRIL—Wholesale buying for future needs at low level. Retail sales 4 to 6% above last year.



19. North and South Carolina

FEB., 101.4 JAN., 106.9 FEB. 1938, 92.9

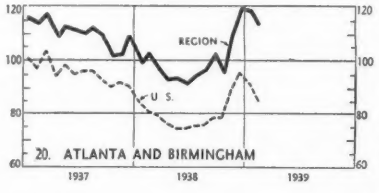
FEBRUARY—Percentage department store sales increases over previous February: North Carolina 3, South Carolina 2. MARCH—Percentage retail trade changes from previous March: Asheville —3, Winston-Salem —10, Charlotte +4, Raleigh–Wilmington —5, Charleston +5, Columbia +8, Greenville +17. Wholesale trade changes: Wilmington —2, Charleston 0, Winston-Salem —15. Crops in good condition; some rain needed. Payrolls and production steady to above last year. Textile and furniture manufacturers report slight decline in production. Fertilizer factories working day and night shifts. Collections fair. APRIL—Sales of automobiles and electrical appliances lead retail volumes; volume up 8% from 1938.



20. Atlanta and Birmingham

FEB., 113.6 JAN., 118.3 FEB. 1938, 102.5

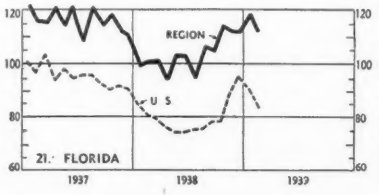
FEBRUARY—Percentage department store sales changes from previous February: Atlanta +8, Birmingham +7, Montgomery —6, Chattanooga +2, Nashville +4. MARCH—Percentage retail trade increases over previous March: Atlanta 17, Augusta 3, Columbus 10, Macon 8, Birmingham 5, Montgomery 34, Mobile–Knoxville 0, Chattanooga 9, Nashville 2; Savannah trade off 2%. Wholesale trade increases: Atlanta 12, Birmingham–Nashville 3. Peach crop promising. Payrolls and production generally steady to above last year. Textiles active. Brick manufacturing improved. Building trades busy with construction of moderate-priced homes. Collections fair. APRIL—Retail trade continued to hold well above last year.



21. Florida

FEB., 112.0 JAN., 118.3 FEB. 1938, 100.5

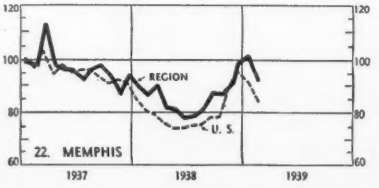
FEBRUARY—Florida department store sales 2% above previous February. MARCH—Percentage retail trade increases over previous March: Jacksonville 1, Miami–Tampa 8. Tomato and potato crops 25 to 35% below last year. Citrus crops good; shipments steady. Orange prices fair; grapefruit very low; vegetables fair, with shipments steady. Payrolls and production vary in comparison with last year. Citrus canners now operating. Lumber prices and sales steady. Cigar industry more active than in February. Naval store prices even with previous month. Collections steady with a year ago. APRIL—Retail trade about 5% above previous April. Jacksonville cigar industry very active.



22. Memphis

FEB., 92.1 JAN., 101.2 FEB. 1938, 85.8

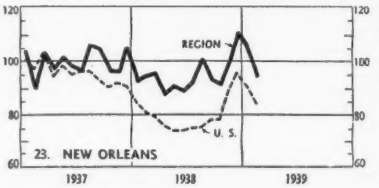
FEBRUARY—Percentage department store sales increases over previous February: Memphis 4, Fort Smith 0, Little Rock 1. MARCH—Percentage retail trade increases over previous March: Memphis 2, Fort Smith–Little Rock 5. Memphis wholesale trade up 5% from previous March. Spinach crop very good; price steady. Fruit damaged by freezing weather, but crop well advanced. Production and payrolls above previous year, steady to up in month. Lumber production active. Furniture industry operating about 20% ahead of last year's level. Collections steady to better than a year ago, slightly slower in month. APRIL—Uncertainty dominating cotton industry. Little change in level of retail trade activity.



23. New Orleans

FEB., 94.2 JAN., 105.7 FEB. 1938, 94.2

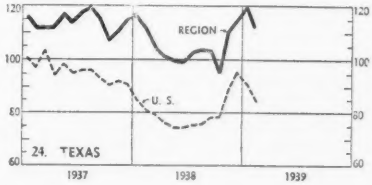
FEBRUARY—New Orleans department store sales 7% below previous February. MARCH—Percentage retail trade changes from previous March: New Orleans +8, Jackson —5, Meridian +6. New Orleans wholesale trade even with previous year. Truck gardening showed fairly good yield; prices fair. Payrolls and production steady with last year; steady to improved since February. Flood protection and road building programs supplementing ordinary payrolls in many sections; house building and construction of large commercial and government buildings stimulating business in New Orleans. Oil industry active. Collections fair. APRIL—Wholesale buying practically unchanged from March. Department store sales up 10%.



24. Texas

FEB., 111.5 JAN., 119.2 FEB. 1938, 110.5

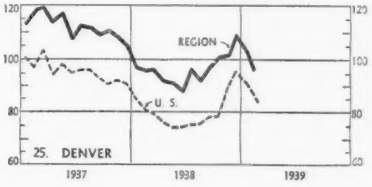
FEBRUARY—Percentage department store sales changes from previous February: Dallas —6, Fort Worth —3, Houston +3, San Antonio +2. MARCH—Percentage retail trade changes from previous March: Dallas–Houston–Austin —3, Fort Worth +7, Amarillo–Lubbock 0, Waco–Shreveport —5, El Paso —7, Galveston —10, San Antonio +5. Wholesale trade changes: Dallas–Houston —5, San Antonio +7, Fort Worth +8, Shreveport —10. Crop and range conditions continue favorable as result of rains. Payrolls and production vary. Shutdowns in oil fields. Lumber industry fairly stable. Collections fair. APRIL—Most retailers, particularly apparel and specialty stores, showed gain in volume over 1938.



25. Denver

FEB., 97.1 JAN., 103.9 FEB. 1938, 95.9

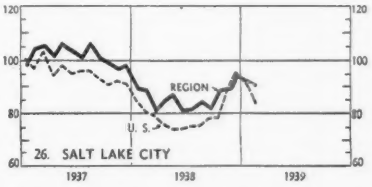
FEBRUARY—Denver department store sales 4% below previous February. MARCH—Percentage retail trade changes from previous March: Denver +2, Albuquerque —5. Denver wholesale trade up 1% from a year ago. Rain and snow insures moisture for planting and first growth of crops in bean section. Range condition good also. Sheep suffered somewhat from cold, but losses moderate. Payrolls and production steady to below last year's level. Employment improved slightly in agricultural areas. Lumber mills rather unsteady. Railroad business improved due to San Francisco fair. Building industry quite active. Collections rather slow. APRIL—Spring outlook good in both retail and wholesale trade divisions.



26. Salt Lake City

FEB., 90.0 JAN., 91.4 FEB. 1938, 88.9

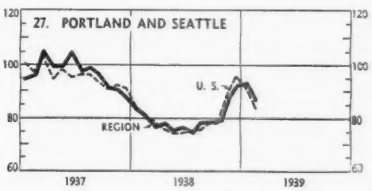
FEBRUARY—Salt Lake City department store sales 3% below previous February. MARCH—Retail trade in Salt Lake City 4% below previous March; wholesale trade off 5%. Gasoline and oil dealers report sales slightly better than a year ago. Payrolls and production steady with the corresponding period of last year; up just a little since February. Building permits ahead of last year; residential building activity increased. Spring plowing and some planting started latter part of month. Range and water conditions very good. Farm prices continued low. Collections steady with a year ago, steady in month. APRIL—Cattle and sheep prices steady. Sales of wallpaper and paint up 10% from March level.



27. Portland and Seattle

FEB., 87.5 JAN., 92.9 FEB. 1938, 80.6

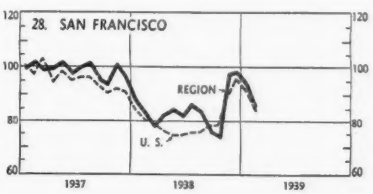
FEBRUARY—Percentage department store sales changes from previous February: Seattle +4, Tacoma +5, Spokane —2, Portland 0. MARCH—Percentage retail trade changes from previous March: Seattle —5, Tacoma +5, Spokane–Portland —2. Wholesale trade changes: Seattle —18, Portland +2. Rhubarb coming on market from Puyallup Valley. Strawberry crop expected to be small. Payrolls and production vary in comparison with last year. Cement production up. Salmon packing below year ago. Lumber market depressed. No improvement in pulp and paper production. Collections fair. APRIL—Lumber orders exceed production. Retail sales advanced to level 2 to 8% above last year.



28. San Francisco

FEB., 85.5 JAN., 93.8 FEB. 1938, 82.0

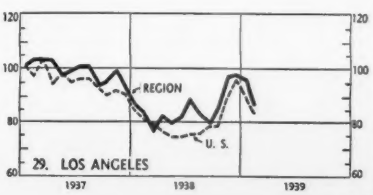
FEBRUARY—Percentage department store sales increases over previous February: San Francisco 6, Oakland 12. MARCH—Percentage retail trade increases over previous March: San Francisco 0, Oakland 7, Sacramento 5, Fresno 10. San Francisco wholesale trade continues 3% ahead of 1938 level. Asparagus and field crops normal. Drought conditions feared, because of deficient rainfall and light snow pack. Payrolls and production generally steady with last year. Building material, automobiles, and garment manufacturing making best showing. Wine and brandy industry slow. Furniture moderately active. Collections fair. APRIL—Retail and wholesale trade irregular, about even with March.



29. Los Angeles

FEB., 87.1 JAN., 96.5 FEB. 1938, 84.0

FEBRUARY—Percentage department store sales changes from previous February: Los Angeles +1, Phœnix —2. MARCH—Percentage retail trade changes from previous March: Los Angeles +5, San Diego —7, Phœnix trade up slightly. Los Angeles wholesale trade shows slight increase over last year. Good lettuce yield. Farm prices about 7% below last March. Payrolls and production generally steady with a year ago. Mining still slow. Motion picture production ahead of last year. Building permits well over corresponding period of 1938. Collections fair. APRIL—Industrial activity remains about even with 1938. Building activity well-sustained. Retail trade lagged somewhat after Easter.



AT WORK ON SHASTA DAM, SACRAMENTO RIVER, CAL.—TRIANGLE PHOTOS

INDUSTRIAL AND COMMERCIAL FAILURES

	Number of Failures			Current Liabilities *			Total Liabilities *			Dun's Insolvency Index †					
										Unadjusted			Adjusted ‡		
	1939	1938	1937	1939	1938	1937	1939	1938	1937	1939	1938	1937	1939	1938	1937
Jan.	1,263	1,377	841	19,122	21,415	12,003	23,192	27,162	14,992	69.3	76.2	47.7	56.3	62.0	38.8
Feb.	963	1,149	755	12,788	21,028	14,004	12,795	25,501	22,887	62.5	75.2	50.6	54.3	65.4	44.0
Mar.	1,123	1,167	861	17,915	40,325	22,591	18,228	80,373	78,878	61.7	64.8	47.1	61.1	64.2	47.1
Apr.	....	1,172	818	....	21,147	12,893	....	29,355	13,628	...	65.1	48.3	...	63.2	47.4
May	....	1,123	875	....	19,139	13,088	....	19,831	14,965	...	59.8	47.6	...	59.2	47.6
June	....	1,073	703	....	15,918	12,829	....	16,892	16,737	...	64.1	41.1	...	67.5	43.3
July	....	1,038	651	....	14,761	12,780	....	15,008	13,955	...	57.2	37.9	...	64.3	42.1
Aug.	....	1,015	736	....	16,382	14,950	....	17,252	19,473	...	53.8	39.7	...	63.3	46.7
Sept.	....	866	584	....	14,341	9,818	....	15,183	11,308	...	51.6	35.2	...	61.4	41.9
Oct.	....	997	815	....	13,219	14,079	....	16,960	15,381	...	54.7	45.2	...	59.4	49.1
Nov.	....	984	842	....	12,302	16,400	....	17,281	17,709	...	53.9	52.7	...	51.8	51.2
Dec.	....	875	1,009	....	36,528	27,818	....	54,736	36,963	...	56.7	58.0	...	56.1	58.0
Total	....	12,836	9,490	....	246,505	183,253	....	335,534	276,876	...	61.1	45.9	...	...	...

* In thousands of dollars. † Apparent annual failures per 10,000 enterprises. ‡ For seasonal variation.

ANALYZING THE RECORD OF INDUSTRIAL *and* COMMERCIAL FAILURES

FIRST QUARTER 9 PER CENT BELOW LAST YEAR

INDUSTRIAL and commercial failures numbered 1,123 in March, with $17,915,000 liabilities, compared with 963 failures and $12,788,000 liabilities in February, and with 1,167 failures and $40,325,000 liabilities in March, 1938.

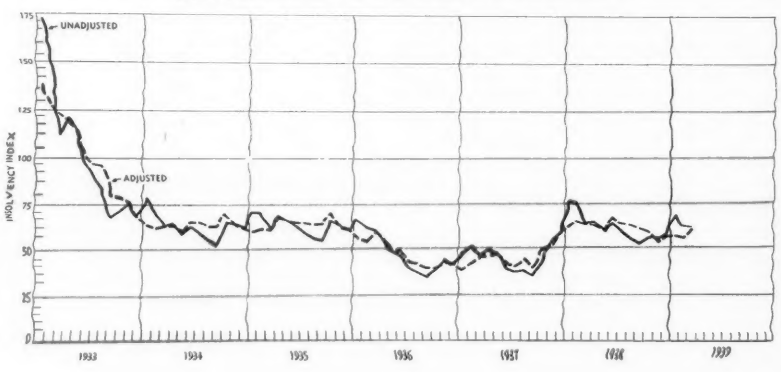
The insolvency index is of particular value in interpreting the March record for an increase over February is often due to the additional working days in March. This year, the index declined from 62.5 to 61.7; the rise in the number of failures was due to the extra days, and, further, in reality, thus corrected, failures declined slightly. However, the normal seasonal decline of about 12 per cent failed to occur, and the index, when adjusted for the seasonal allowance, rose from 54.3 to 61.1. This seven point rise in the adjusted index brought the first quarter of 1939 to an end on a rising movement.

The number of failures in March did not reach the level of a year ago, although twice during the month weekly failures exceeded those of the comparable weeks of 1938. A year ago, the March failure figures came at the end of the five months' upward surge and the insolvency index dropped ten points, from 75.2 in February to 64.8. This drop in March, 1938, should be remembered when considering that current failures are nearly as many in number as a year ago. Failures for the first quarter averaged about 9 per cent lower than in the first quarter of 1938.

The trend of liabilities so far in 1939 has paralleled that of the number of failures. Liabilities in March were considerably lower than those of a year ago because of the presence in the 1938 record of a $15,000,000 coal mine reorganization.

The conversion of March and February failures in the various industry groups to a daily basis wipes out the apparently appreciable increases over

MONTHLY TREND OF THE INSOLVENCY INDEX



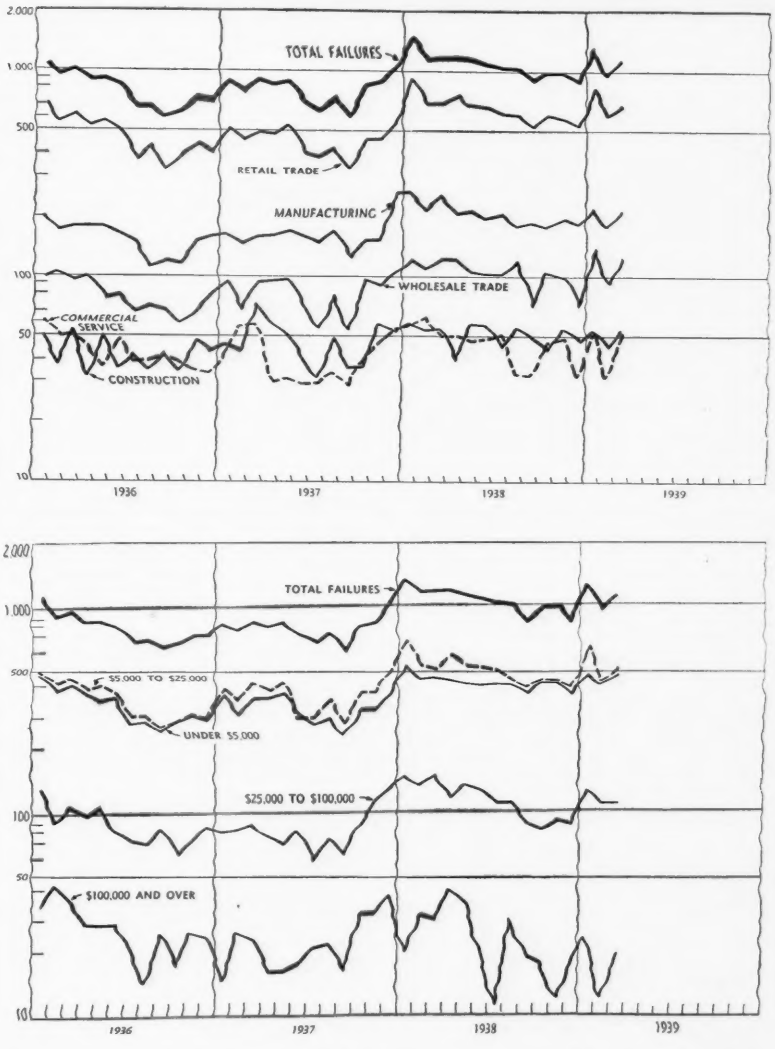
February and reveals the true situation; that failures among manufacturers and construction remained unchanged in March; wholesale and commercial service failures increased slightly and retail failures dropped. Retail failures in falling 7 per cent were the only group that conformed in any degree to the normal March decline. Failures in all retail lines declined or remained unchanged, on the daily basis, but no line appears to have reached the full seasonal dip. In a few of the manufacturing lines failures were off to some extent, but the group as a whole was held up by increases in textile failures.

Comparison of March failures with those of a year ago is somewhat easier, for the figures as they stand are on a comparable basis. Since the seasonal drop failed to materialize and failures approximate those of last March it may be of interest to determine what lines of business were responsible for the higher level. In general, trade failures, both wholesale and retail, were almost equal in number to those a year ago, while manufacturing failures were some 13 per cent below. In retail lines failures of food stores, restaurants, and drug stores were in excess of those last March. Apparel and automotive lines, on the other hand, appear from the failure record to be in a much stronger position, financially, than a year ago. Food failures were also higher in wholesale trade and in manufacturing.

Industry Groups	March 1939	March 1938	Per Cent Change
Manufacturing	210	241	—13
Wholesale Trade	124	125	— 1
Retail Trade	683	696	— 2
Construction	54	55	— 2
Commercial Service	52	50	+ 4
Total	1,123	1,167	— 4

By size, on a daily basis, there were increases in March in the very small failures and in the very large, with decreases in the middle groups. For the first time in nearly two years the number of the very small failures exceeded those in the second size group. The two groups together, that is all failures with liabilities under $25,000, continued, however, to constitute nearly 90 per cent of the entire failure record.

Failures by Industrial Groups and Size of Liabilities



Size Group Liabilities	March 1939	March 1938	Per Cent Change
Under $5,000	509	460	+11
$5,000–$25,000	489	518	— 6
$25,000–$100,000	105	158	—34
$100,000 and over	20	31	—35
Total	1,123	1,167	— 4

In actual numbers the very large failures rose from 12 in February to 20 in March, with one of them reporting current liabilities of $2,000,000. Compared with a year ago, it was again the very small failures which showed an increase, with failures in all other size groups fewer in number.

It was apparent that, geographically, the movement of March failures varied over the country. Failures were down in the Boston and Dallas Federal Reserve Districts by less than the average seasonal amount, down in the New York District by about the normal amount, and down in the Richmond, Atlanta, and Minneapolis Districts greatly in excess of the average. Failures rose in the other sections, notably in the Philadelphia, Chicago, Kansas City, and San Francisco Districts.

With failures in the New York District following the seasonal decline, it is interesting to recall that a year ago New York was the one district in the whole country that failed to register a drop. A year ago both manufacturing and retail failures were on the increase in New York.

Quarterly Figures

The insolvency index indicates that in the first quarter of 1938 failures were high in January, slightly lower in February, and very much lower in March. The year 1939 began with January failures 9 per cent below those of last January. In February failures fell sharply and in March only slightly.

The net result of these differing trends was a 9 per cent decrease in failures in the quarter just ended. The following table presents a comparison of failures in the first quarters of 1938 and 1939 by industry, size, and location.

Industry	Jan.-Mar. 1939	Jan.-Mar. 1938	Per Cent Change
Manufacturing	605	693	−13
Wholesale Trade	350	360	− 3
Retail Trade	2,103	2,296	− 8
Construction	153	169	− 9
Commercial Service	138	175	−21
Liabilities			
Under $5,000	1,405	1,449	− 3
$5,000–$25,000	1,550	1,714	−10
$25,000–$100,000	337	446	−24
$100,000–$1,000,000	57	84	−32
$1,000,000 and over	..	..	..
Federal Reserve Districts			
St. Louis	113	155	−27
Boston	272	346	−21
Cleveland	228	274	−17
New York	934	1,063	−12
Chicago	506	563	−10
San Francisco	359	395	− 9
Philadelphia	226	242	− 7
Atlanta	191	206	− 7
Kansas City	163	160	+ 2
Minneapolis	61	60	+ 2
Richmond	192	160	+20
Dallas	104	69	+50
Total	3,349	3,693	− 9

Canadian Failures

Failures in Canada in the first quarter of 1939 were 23 per cent higher than in the first quarter of 1938. They totalled 340 with liabilities of $3,280,000, compared with 277 and $3,409,000 liabilities a year ago.

Failures by Divisions of Industry—March, 1939 and 1938

(Liabilities in thousands of dollars)

	Number			Current Liabilities		
	Mar. 1939	Feb. 1939	Mar. 1938	Mar. 1939	Feb. 1939	Mar. 1938
Total United States	1,123	963	1,167	17,915	12,788	40,325
Manufacturing (total)	210	177	241	7,875	4,985	27,065
Foods	51	42	47	3,248	1,482	1,962
Textiles	50	31	58	1,614	1,055	2,722
Forest Products	20	18	16	742	237	308
Paper, Printing and Publishing	15	16	22	188	512	1,781
Chemicals and Drugs	7	12	8	55	125	633
Fuels	3	6	4	755	306	15,104
Leather and Leather Products	7	9	8	86	118	145
Stone, Clay, Glass and Products	8	4	7	155	112	155
Iron and Steel	12	9	13	306	255	2,208
Machinery	15	11	18	302	255	960
Transportation Equipment	4	..	5	145	..	154
All Other	18	19	35	279	528	933
Wholesale Trade (total)	124	91	125	2,037	1,322	3,884
Farm Products, Foods, Groceries	52	39	43	1,006	526	772
Clothing and Furnishings	3	3	9	18	25	179
Dry Goods and Textiles	2	3	4	70	21	88
Lumber, Building Materials, Hardware	10	4	12	272	95	1,887
Chemicals and Drugs	5	4	7	55	45	108
Fuels	2	1	3	11	55	112
Automotive Products	12	6	9	73	52	147
Supply Houses	13	9	10	132	109	162
All Other	25	22	28	400	394	429
Retail Trade (total)	683	618	696	5,662	5,251	7,612
Foods	197	169	171	1,009	994	875
Farm Supplies, General Stores	15	30	21	83	185	181
General Merchandise	33	35	31	353	367	382
Apparel	140	147	174	1,284	1,091	1,734
Furniture, Household Furnishings	59	45	60	727	418	1,052
Lumber, Building Materials, Hardware	36	31	44	382	385	440
Automotive Products	49	30	68	518	398	1,267
Restaurants	62	61	51	453	765	1,017
Drugs	45	40	31	313	295	246
All Other	47	30	45	540	353	418
Construction (total)	54	45	55	1,228	968	955
General Contractors	5	2	11	120	61	215
Carpenters and Builders	14	14	10	664	565	362
Building Sub-contractors	33	26	32	393	262	356
Other Contractors	2	3	2	51	80	22
Commercial Service (total)	52	32	50	1,113	262	809
Cleaners and Dyers, Tailors	6	10	10	54	39	90
Haulage, Buses, Taxis, etc.	17	9	18	658	112	403
Hotels	1	4	4	5	36	202
Laundries	4	2	4	109	13	24
Undertakers	6	2	5	57	12	48
All Other	18	5	9	230	50	42

Greatly increased numbers of failures among retailers of apparel, house furnishings, and automotive products contributed to the rising total. Failures among clothing manufacturers doubled. Other manufacturing lines showed little change. Most branches of commercial service showed increased defaults.

Geographically, the increases were mainly in the Provinces of Quebec, Nova Scotia, and Saskatchewan.

Note: In Dun's Statistical Review there are published more detailed failure statistics by States, large cities, industrial divisions, size of liabilities.

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"

More detailed figures appear in "Dun's Statistical Review"

Building Permit Values—215 Cities

Geographical Groups:	March 1939	March 1938	Change P. Ct.	February 1939	Change P. Ct.
New England	$14,751,105	$5,552,875	+165.6	$2,727,588	+440.8
Middle Atlantic	31,085,187	19,432,019	+ 60.0	28,225,339	+ 10.1
South Atlantic	11,982,086	8,438,100	+ 42.0	7,681,084	+ 56.0
East Central	21,758,026	13,110,228	+ 66.0	15,083,762	+ 44.2
South Central	10,614,141	10,538,282	+ 0.7	9,520,535	+ 11.5
West Central	5,538,142	3,765,674	+ 47.1	3,992,915	+ 38.7
Mountain	3,187,873	1,242,648	+156.5	1,562,233	+104.1
Pacific	19,773,839	14,519,081	+ 36.2	12,589,624	+ 57.1
Total U. S.	$118,690,399	$76,598,907	+ 55.0	$81,383,080	+ 45.8
New York	$21,312,975	$11,419,827	+ 86.6	$23,210,440	— 8.2
Outside New York	$97,377,424	$65,179,080	+ 49.4	$58,172,640	+ 67.4

Bank Clearings—22 U. S. Cities

(Millions of dollars)

	Monthly			Daily Average		
	1939	1938	1937	1939	1938	1937
January	23,187	21,798	27,226	927.5	871.9	1,089.0
February	19,711	17,584	23,720	896.0	799.2	1,078.1
March	24,995	22,822	29,412	925.7	845.3	1,089.3
April	.....	21,667	26,086	....	833.4	1,003.3
May	.....	20,169	23,951	....	806.8	958.0
June	.....	23,959	25,903	....	921.5	996.3
July	.....	21,624	26,015	....	865.0	1,000.6
August	.....	19,716	22,260	....	730.2	856.2
September	.....	21,733	24,076	....	869.3	963.0
October	.....	24,011	24,668	....	960.4	986.7
November	.....	21,637	21,796	..	940.7	947.6
December	.....	27,697	25,805	....	1,065.3	992.5
Total	.....	264,417	300,918	....	875.8	996.7

Bank Clearings for Individual Cities (000 omitted)

	March 1939	March 1938	Change P. Ct.	February 1939
Boston	$980,610	$889,743	+ 10.2	$809,179
Philadelphia	1,713,000	1,542,000	+ 11.1	1,395,000
Buffalo	131,008	125,489	+ 4.4	116,704
Pittsburgh	480,261	473,171	+ 1.5	439,651
Cleveland	397,312	335,467	+ 18.4	337,787
Cincinnati	251,049	241,577	+ 3.9	209,916
Baltimore	295,939	284,423	+ 4.0	259,997
Richmond	159,989	153,760	+ 4.1	142,801
Atlanta	252,900	229,600	+ 10.1	212,000
New Orleans	181,297	170,194	+ 6.5	155,011
Chicago	1,285,827	1,233,051	+ 4.3	1,037,137
Detroit	411,008	362,114	+ 13.5	355,090
St. Louis	387,662	369,659	+ 4.9	313,073
Louisville	154,565	136,116	+ 13.6	132,484
Minneapolis	264,544	250,331	+ 5.7	205,139
Kansas City	372,532	368,021	+ 1.2	311,553
Omaha	133,263	123,746	+ 7.7	110,653
Dallas	229,452	220,733	+ 4.0	197,217
San Francisco	599,780	584,832	+ 2.6	530,594
Portland, Ore.	152,317	141,057	+ 8.0	101,140
Seattle	149,529	145,199	+ 3.0	116,535
Total 21 Cities	$8,983,844	$8,380,283	+ 7.2	$7,488,661
New York	$16,010,937	$14,441,675	+ 10.9	$12,222,715
Total 22 Cities	$24,994,781	$22,821,958	+ 9.5	$19,711,376

Dun & Bradstreet

Weekly Food Price Index

The index represents the sum total of the wholesale price per pound of 31 commodities in general use.

Weeks:	1939	1938	1937	1936
Apr. 25	$2.27	$2.36	$2.86	$2.60
Apr. 18	2.28	2.37	2.89	2.59
Apr. 11	2.28	2.37	2.89	2.64
Apr. 4	2.27	2.41	2.94	2.60
Mar. 28	2.29	2.44	2.99	2.57
Mar. 21	2.31	2.46	3.01	2.59
Mar. 14	2.29	2.48	3.01	2.59
Mar. 7	2.34	2.49	2.99	2.58

	High		Low	
1939	$2.34	Mar. 7	$2.27	Apr. 4
1938	$2.53	Jan. 4	$2.34	May 10
1937	$3.01	Mar. 16	$2.56	Dec. 28

Dun & Bradstreet

Daily Weighted Price Index

30 Basic Commodities

(1930-1932 = 100)

	1939 Apr.	Mar.	Feb.	Jan.
1	103.79	106.24	105.65	†
2	†	106.21	105.48	*
3	103.91	106.12	105.48	105.78
4	103.59	106.21	105.36	105.97
5	103.76	†	†	105.68
6	103.42	106.47	105.08	105.72
7	*	106.19	104.93	105.74
8	*	105.94	105.13	†
9	†	105.82	104.63	105.62
10	103.44	105.46	104.87	105.38
11	103.65	105.30	104.80	105.39
12	103.69	†	†	105.62
13	103.17	104.84	*	105.49
14	103.34	104.67	104.96	105.46
15	103.29	104.90	105.28	†
16	†	104.64	105.31	105.83
17	103.47	104.69	105.50	105.88
18	103.91	104.64	105.50	106.10
19	104.14	†	†	105.88
20	104.03	104.76	105.82	105.91
21	104.06	104.89	105.80	105.69
22	103.95	104.94	*	†
23	†	104.82	105.94	105.65
24	103.71	104.64	106.14	105.69
25	103.50	104.79	106.15	105.92
26	103.75	†	†	105.43
27	103.80	104.76	105.88	105.55
28	104.54	104.59	105.90	105.62
29	104.50	104.23		†
30	†	104.19		105.63
31		104.06		105.45

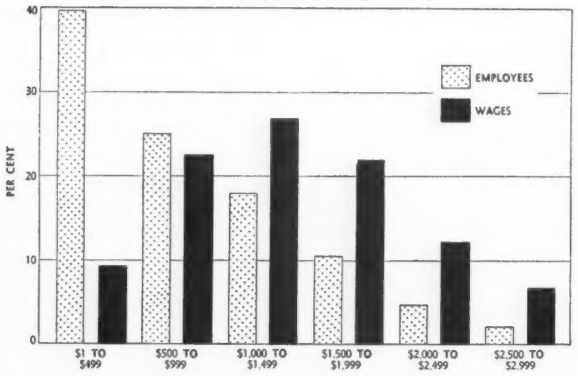
† Sunday. * Markets closed.

	High		Low	
1939	106.47	Mar. 6	103.17	Apr. 13
1938	117.06	Jan. 10	102.43	June 2
1937	158.26	Apr. 5	114.83	Dec. 30

THROUGH THE STATISTICIAN'S EYES

ODD AND INTERESTING ITEMS FROM THE MONTH'S RECORD

Social Security Earnings Report



EMPLOYEES AND WAGES UNDER OLD-AGE INSURANCE ACCOUNTS, BY INTERVALS OF EARNINGS—*1937—Social Security Board—The per cent of total employees in each wage group declines as wages rise, but the total wages in each group show a fairly normal distribution, with the greatest amounts in the median groups.*

A NATION-WIDE STUDY of the characteristics and earnings of employees has recently been completed by the Social Security Board. According to the results of the analysis, wages accredited to the old-age insurance accounts of more than 30,157,694 workers in 1937 averaged $890, or a total of $26,825,366,241. This did not include wages for work not covered by the Social Security Act, nor wages in excess of $3,000 a year from one employer. Included in these figures were 879,560 employees—2.9 per cent of the total—who earned 10.4 per cent of the total wages, and who each received from two or more employers a total of $3,000 or more a year.

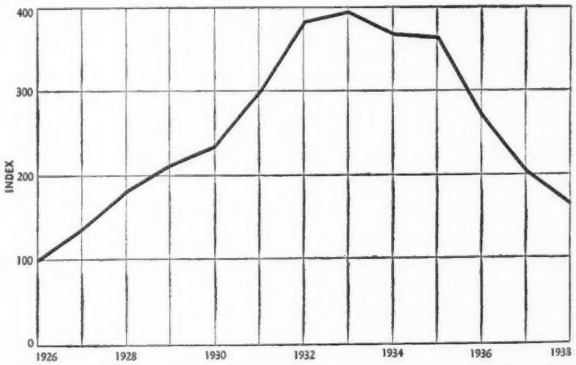
The Board found that about 70 per cent of the employees covered by the act were less than 40 years of age. The most numerous group of workers, in fact, was that of persons between 20 and 25 years old. The 45 to 50 year-old group constituted only 8 per cent of the total number of employees studied, but received the highest average wage, $1,204, as against the $581 average in the 20 to 25 year-old classification.

Non-Farm Foreclosures

THE TERM "metropolitan communities" is used by the Federal Home Loan Bank Board in their latest study of non-farm real estate foreclosures to designate counties having cities of more than 100,000 population. Among these counties, foreclosures steadily increased from 1926 to 1933, and then dropped off through 1938.

Although there was a slight decline in foreclosures registered from January to February, the drop was not as large as is usually the case in the short month. The average decline from January to February for the five years 1934 to 1938 was 8.2 per cent, and this year the drop was only 0.2 per cent. Counties of less than 60,000 non-farm dwellings were chiefly responsible for the small size of the decline, since the larger-sized communities showed a decrease from January of about 5 per cent. The district which includes Iowa, Minnesota, Missouri, and North and South Dakota was the only district to show an increase over January in each of the States.

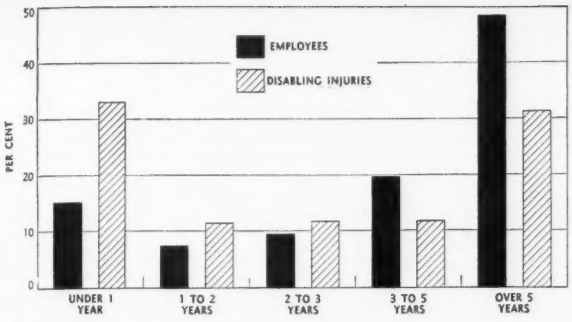
The greatest percentage year-to-year increase was noted in Wyoming, where February 1939 foreclosures were 566.7 per cent greater than in the same month of 1938. Texas was second with a gain of 252.7 per cent, and New Hampshire reported a good-sized increase of 136.4 per cent. The decreases from 1938 were more numerous than the increases, but less striking numerically.



INDEX OF FORECLOSURES IN METROPOLITAN COMMUNITIES—*1926-1938—1926=100—Federal Home Loan Bank Board—Among counties which include cities of more than 100,000 population, non-farm real estate foreclosures steadily increased from 1926 to 1933, and then declined.*

Industrial Injuries

Two particularly interesting aspects of industrial injuries have been discussed by Max D. Kossoris of the U. S. Bureau of Labor Statistics; one has to do with the relation of industrial disablements to business conditions, and the other with the effect of length of employment on accidental injuries. In 29 manufacturing industries the frequency rate per million hours worked of injuries disabling workers beyond the day on which they were hurt and employment totals followed the same trend. This was explained on the basis that when business is poor, the less efficient workers are laid off, and those remaining tend to have greater experience and to have developed better safety habits. Moreover, only the more efficient machinery—and



RELATIONSHIP BETWEEN PER CENT OF TOTAL EMPLOYEES AND PER CENT OF TOTAL DISABLING INJURIES BY LENGTH OF EMPLOYMENT—*U. S. Bureau of Labor Statistics—According to the experience of a petroleum refining company, the percentage of injuries occurring among a particular group of employees tends to vary inversely with the length of their employment.*

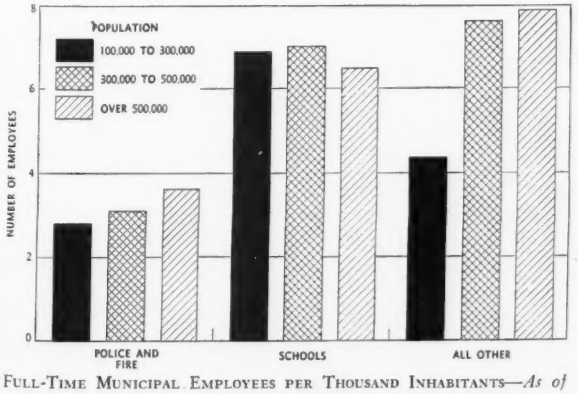
also the safer machinery—is used when orders are few.

A petroleum refining company reported that employees with less than one year's service, while composing but 15.1 per cent of the total number of employees, had 33 per cent of all disabling injuries in the concern. A cement plant made a similar report—that workers who had been on the job less than six months comprised 3 per cent of the employees, but had 20 per cent of the injuries.

Municipal Employees

ALMOST 2 per cent of the population in cities of 100,000 or more inhabitants are municipal employees, according to results of a U. S. Bureau of the Census analysis. The figure includes those employed in independent local governmental units—parks, ports, schools, etc.,—and a computed percentage of county employees in cities having a population over 300,000, but it does not include persons on local relief rolls.

Of the total municipal employees in all cities studied, about 40 per cent were employed in schools during 1936, and 21 per cent in police and fire departments. The larger

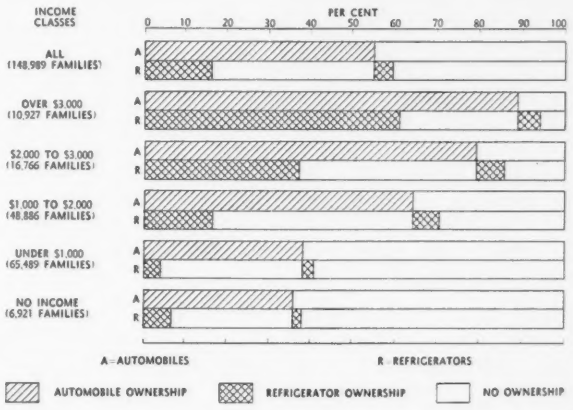


FULL-TIME MUNICIPAL EMPLOYEES PER THOUSAND INHABITANTS—*As of April 1, 1936—U. S. Bureau of the Census—In general, the larger cities have a greater number of municipal employees per 1,000 inhabitants than the smaller cities. The latter, however, employ a disproportionately large percentage of their total workers in the school systems.*

cities, in general, maintained a greater number of employees per capita, 18.0 per 1,000 population in cities of 500,000 and over, 17.7 per 1,000 in cities between 300,000 and 500,000, and only 13.9 per cent in cities of 100,000 to 300,000 inhabitants. Cities of more than 500,000 population likewise had the most full-time municipal employees per square mile, 231.4, while those in the middle group had 109.8, and those in the smallest group 79.8. The schools showed the greatest variation from this general conclusion.

Consumer Ownership Relations

CARRYING their studies of consumer uses of various single items one step further, the U. S. Bureau of Foreign and Domestic Commerce sought to establish the relationship between ownership of two important consumer goods,



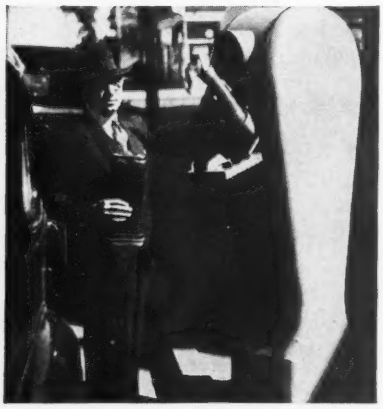
RELATIONSHIP BETWEEN USE OF MECHANICAL REFRIGERATORS AND OWNERSHIP OF AUTOMOBILES, BY INCOME CLASSES—*1933—U. S. Department of Commerce—Based on a total of 148,989 families in 25 cities, A shows the income groups classified as to automobile ownership, and R shows the A classification broken down as to mechanical refrigerator ownership.*

automobiles and mechanical refrigerators. Of the 148,989 families reporting, 54.9 per cent possessed automobiles in 1933, while only 20.6 per cent had refrigerators. Ownership of both, complying with normal expectations, increased from the lower to the higher income brackets.

Where incomes exceeded $3,000, almost 90 per cent of all the families owned automobiles. Of this percentage, 61 per cent also owned refrigerators. Among the 10 per cent who did not own automobiles, about half were reported with refrigerators and half without. At the other extremity of the income scale, 38 per cent of the families with less than $1,000 income owned automobiles, and only 6.8 per cent owned mechanical refrigerators. Over 90 per cent of those in this group who had no automobile also had no refrigerator, while the refrigerator-ownership among those who had automobiles was less than 12 per cent. Families classified under the "No Income" group represent those which failed to have a reportable income for the year covered.

HERE AND THERE IN BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS



ROBOT TELLER—*Designed for curbstone banking service in busy cities. A pneumatic tube communicates with nearby bank.*

Curb Service—Even when there wasn't much money going in and out of banks in the Summer of 1932, several Indianapolis banks, whose customers were vexed by parking troubles, installed auto deposit windows. Customers waited in line in the comparative comfort of their cars, drove in their turn up to an open window, made their marks, and took their money. In one day the Fletcher American National Bank took care of 160 auto depositors through a single window. The Fletcher American was lucky, having a window on an alley.

That Summer Walter E. Lindsay, now president of the Mountain Finance Company, Denver, Colo., thought of a way for any bank to offer curb service, alley or no alley. His device would have a market, he believed, in congested cities among banks whose competitors had branches in the less congested suburbs.

Mr. Lindsay's idea was finally worked out to the patentable stage in 1936 (illustration shown above). Placed at the curb's edge, looking for all the world like an upright sarcophagus, the roadside teller enables clerk and customer to see each other through a periscope, converse through a telephone. Once it is agreed that it is a fine day, a pneumatic tube shoots in the customer's credentials, sends back whatever he's after.

Thus far, no bank has installed the service, but Mr. Lindsay has hopes of making a sale soon. Except for the outside unit, the system can be fabricated locally from standard materials.

Tempting—When our man Halsey looked in on the Tenth Annual Convention and Exhibit of the Greater New York Safety Council, near the end of March, he was surprised to receive a time card. He was yet further amazed when a blond young lady punched it in a time clock for him.

The card, Halsey found, had a number and a purpose. Registered delegates whose cards showed a total attendance of two hours were eligible for a drawing for 35 prizes, including a trip to Bermuda for two.

These prizes were designed to make visits to the safety exhibits of manufacturers more tempting to delegates, who might otherwise fail to linger.

Lifeguard—Retrieving his time card, Halsey set off to find the newest in safety devices. He first learned about a Lifeguard Bomb, sold by General Fire Truck Corporation, Detroit, Mich., for use in private houses. If a fire starts nearby, bomb number one in the apparatus explodes with a medium bang. If the fire isn't checked, bomb number two erupts with a bigger bang, calculated to lift the heaviest sleeper right out of quilt and complacency.

When Halsey left the safety exhibit, the elevator down was full of engineers discussing their chances of winning the trip to Bermuda. It was a brand new elevator by one of the largest manufacturers in the country, twinkling with buttons and safety devices. It tickled Halsey's Puckish sense of humor, however, to read a red warning sign by the Department of Buildings, saying that the elevator had just been installed and would not be officially tested for safety until next month. Conscientious riders avoided seeing it.

Paradoxical Parabola—Illumination engineers long saw the necessity for a flat ceiling which would, in some mystic way, straighten out the errant light beam just as a parabola does. (The curve of a parabola bounces each beam of light out parallel to its brothers and sisters, providing direct illumination with little reflection loss or uneven glare.)

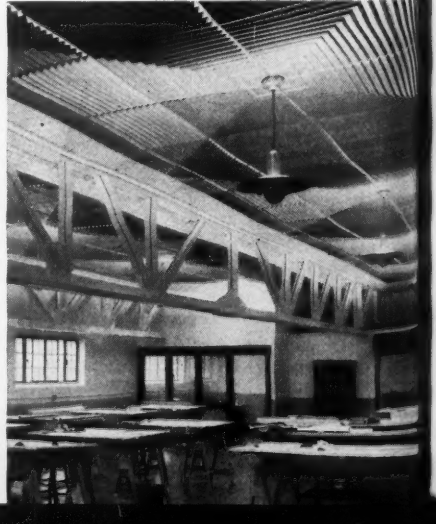
With the necessity recognized, engineers of the Berger Manufacturing Division, Republic Steel Corporation, fathered invention, the paradoxical Parabolume.

Parabolume, however Euclid and the stepfathers of geometry may shudder at the heresy, is a *flat* parabola. Sheet metal squares, stamped with concentric ridges at the proper angles, catch each ray of light and reroute it straight down.

Parabolume ceiling units are standard in six, eight, ten, and twelve foot squares, as well as in larger sizes. Recent tests under supervision of General Electric's Nela Park Engineering Department have shown that the squares, surfaced with aluminum paint having a 70 per cent reflection factor, equal or better flat white ceiling with a reflection factor of 80 per cent. Installations can step up illumination of a working area from 20 to 50 per cent.

To summarize the matter, science, for the sake of easing eye strain, seems to have straightened out the curve. The trend gives cause for dismay, if carried to extremes.

SAW TOOTHED—*Parabolume's saw-toothed reflectors angle light from an indirect luminaire straight down to working area of Ohio Power Company's drafting room.*



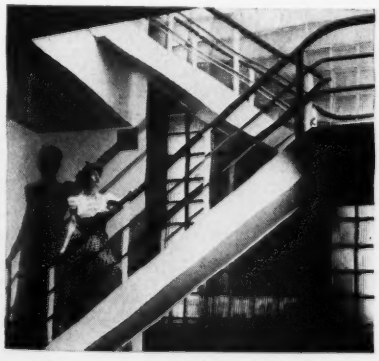
JOY RIDE—*Moving sound chairs in a new kind of conveyor hold World's Farers at the General Motors exhibit "futurama."*

Carry-Go-Round—For a Coney Island joy ride with Grover Whalen trimmings, try carry-go-round, a conveyor which also doubles as elevator and escalator when the occasion demands. General Motors Corporation owns Carry and allows folks to ride free in her 600 de luxe chair compartments, a feature of the company's display at the Whalen show place on Flushing Meadows, New York.

Carry-go-round is always on the go, covering one-third of a mile on the rim of a scale model "futurama" about America in 1960. Each riding compartment is wired for sound; and from 150 different travelogues going on simultaneously, a visitor automatically gets the proper one.

Cold Light—Further news on fluorescent tube lighting, mentioned in February DUN'S REVIEW: Since an installation three months ago at PEDAC, The House of Homes, a furnishings exhibit in New York City, display lighting there has generated almost 50 per cent less heat in comparison with previous equipment. A real saving will thus be effected this Summer because of the lighter load on air conditioning.

Westinghouse Electric & Manufacturing Co., which installed 760 feet of fluorescent tubing for this Permanent



FORWARD STEP—*Staircase in PEDAC, the House of Homes, with 23-ft. glass block wall by Owens Illinois Glass Company lighted from the rear by Westinghouse Fluorescent lamps.*

A common sense way of getting needed capital

Field Warehousing *by* Douglas—Guardian

brings the warehouse to you. If you own inventory in raw or finished merchandise, Douglas-Guardian service comes to where the inventory is located. Custodianship is assumed and Warehouse Receipts issued to cover the desired loan. This represents desirable collateral for the bank, which supplies the needed money on favorable terms.

Douglas-Guardian service is highly developed and assumes all the details. The heads of our business have had over 16 years' successful experience in the field. You can be assured that successful experience is at the helm when Douglas-Guardian service is being utilized. What questions can we answer? What is your specific need for money, and what inventory is available? Glad to discuss this with you through a call or by letter.

WRITE FOR FREE BOOKLET

Gives concise, comprehensive information covering Field Warehousing in general and Douglas-Guardian specialized and experienced service in particular.

DR

Douglas-Guardian Warehouse Corp.,
100 West Monroe St., Chicago

Please send us your book, Financing the Modern Way.

Company Name_____

Address_____

Signed_____

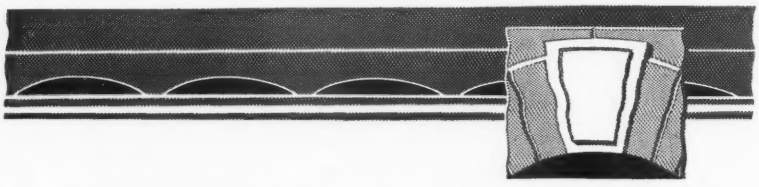
DOUGLAS-GUARDIAN WAREHOUSE CORP.

Nation-Wide Field Warehousing Service

100 West Monroe St., Chicago, Ill. 118 North Front St., New Orleans, La.

Also Regional Service Offices at:

Memphis, Tenn. Dallas, Tex. Easton, Md. Tampa, Fla. Springfield, Mo.
Rochester, N. Y. New York, N. Y. Los Angeles, Cal. San Francisco, Cal. Cleveland, Ohio



THE BASIC POLICIES of this organization have continued as originally established with such moderate changes as have been occasioned by the passage of time and the development of new external conditions. Essentially, they reflect a conception of investment that puts income above increment and principal above profit.

CHICAGO, 201 SO. LA SALLE STREET · NEW YORK, 35 WALL STREET
AND OTHER PRINCIPAL CITIES

HALSEY, STUART & CO. INC.

Exhibit of Decoration, Architecture, and Crafts, has been pointing the finger of pride for the past two months.

Another recent use of the cold lights, which can imitate daylight almost perfectly, is with a boudoir table. Milady now switches on her own sunlight and makes up her face exactly the right shade to meet outdoor conditions. Paint-critical husbands and escorts should be grateful.

Blissful—Happy is the publisher who can accommodate two trade exhibitions in different parts of the country with one promotion piece.

This blissful state of events was advanced in the textile goods industry by an inexpensive, twelve-page supplement, 6" x 3", inserted loose as part of the March *Textile Age*.

Half of the booklet listed 171 exhibitors at the Knitting Arts Exhibition in Philadelphia, April 17-21. Following this and some memo pages came additional lists of exhibitors—but printed upside down!

No error by any means, the head downward style prevailed for the entire opposite half of the supplement, including a separate cover picture. Half of the booklet thus formed a different unit for 110 exhibitors at the Southern Textile Exhibition, April 3-8, in Greenville, S. C.

Coincidence coinciding, as it so often does, the supplement is duplicated in style by the "Annual Report of Gatineau Power Company," Montreal, Quebec. With the customary French-Canadian problem of appearing in two languages, Gatineau uses the same technique as *Textile Age*.

Pages 1 to 16, and the cover, are devoted to the "Annual Report." Turn the entire booklet upside down, however, and you find on the reverse side a new cover for 16 pages delivering the company's "Rapport Annuel."

G.G. Men—Going J. Edgar Hoover one better, the National Association of Retail Grocers is busy commissioning G.G. men. Hereafter, when Mrs. Buyer asks a grocery clerk such things as "What grain is used in making Pumpernickel Bread?" if he's a G.G. (Graduate Grocer), he'll know.

Graduate Grocers are grocerymen who carry on systematic study of their profession, pay $1 registration fee, and pass a series of examinations on food merchandising and commodities. A National Grocers' Institute is sponsored in Chicago, Ill., to conduct examinations and award the degree. The Institute also issues a consumer bulletin about meal planning which lists Graduate Grocers, so customers can find one nearby for patronage.

No dog in the manger, the Institute says grocers don't have to take its course to be eligible for the examination and G.G. degree.

HUMOR IN ADVERTISING

(Continued from page 27)

ster does invade those sacred areas of dignity, we listeners all look startled. When, with the best of intentions, the Messrs. Stoopnagle and Budd explained, "All you need to do is to tear the top off a Pontiac, write on it your name and address, and mail it in," the eyebrows of a whole industry rose so high as to take on a permanent distortion.

And so, despite our humorous heritage, it took an Englishman to indicate to American advertisers how funny advertising can be. It took an English advertising agent named H. Stuart Menzies to look, owlishly, at the fine old English house of Fortnum & Mason and to decide, for the customers' delectation, to take that fine old house practically apart. It took an Englishman to twit the customers, the products, the policies, the management, and—yes—the directors.

For Fortnum & Mason, Mr. Menzies took to writing booklets. He called them "The Commentaries," and he sent them out over one of the world's highest-hatted mailing lists. And such goings-on!

In the commentaries' pages, graphically illustrated, Fortnum & Mason's directors, all in frock coats and stovepipe hats, scrambled the heights of the Alps, looking for precious herbs; and they went into a gesticulating dither when one of their number, sworn to safeguard the secret, lost the key to the hidden vault wherein, written on parchment, reposed the Fortnum & Mason recipe for boiled ham.

For Fortnum & Mason, this Englishman threw out of the window the food trade's customs, traditions, and clichés. For example, he wrote about a cheese—

Do not be misled by mirthless Stiltons made in hissing factories by pale youths who cycle madly to the cinema when freedom hoots from the powerhouse.

Our real farm Stiltons will show you why the name is venerated by mankind. Each cheese is made in the home of a Leicestershire yeoman from pans of cream and aprons of cowslip for coloring.

When such cheeses as these enter the dining-rooms of clubs, the faces of brigadiers soften and admirals emit plaintive little cries of love.

Did the customers read? They did. Into a commentary page—a page devoted to "The Spiritual Aspect of Plum

Cake"—Mr. Menzies dropped the remark that the most auspicious time to whip up a worthy plum cake is when the moon is in its second quarter. "That is why you so often see our chef on our roof in Piccadilly on fine nights, anxiously scanning the heavens." The page carried a picture. About that picture so many customers wrote to Fortnum & Mason—to point out that Mr. Menzies' moon was in the wrong quarter—that a later commentary was constrained to proclaim:

We deny we are weak at astronomy. We are powerful at it. The editor is too hurt to reply in person, but explains that printers' blocks show things the wrong way round unless you think of it beforehand.

Thus, in humorless England, an Englishman sold expensive products to an exclusive clientele. But what of the more mundane things that are offered to the masses?

Well, it took another foreigner, this one a Frenchman named Gaston Le Roy—and later he was to die on France's fields—to reveal to the American masses what humor and genial good-will can do for an alarm clock. For Westclox, Gaston Le Roy made of Big Ben a good-natured helpmeet, kindly, considerate, sympathetic. "First he whispers—then he shouts."

Courage? Yes—plus a dash of good fortune. The Englishman has revealed that he "sold" his gorgeous plan, not to a roomful of directors nor to a committee from the bank, but to a single executive whose nerve was strong and whose word was law.

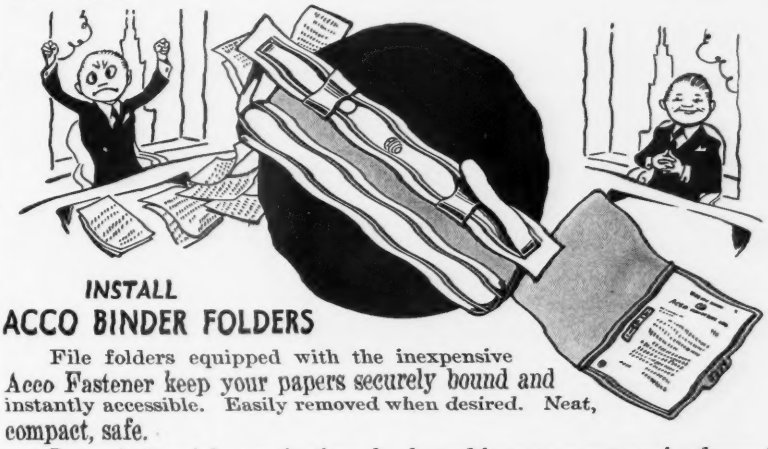
And about the Frenchman's plan, Ernest Elmo Calkins, famous American advertising agent now retired, has disclosed: "I saw the whole Big Ben campaign in advance; and I didn't believe that any manufacturer would have the nerve to carry it out." But, fortunately, Westclox did. And in less than three years, Westclox sold Big Bens to the number of 3,500,000.

For humor in advertising, for highjinks generally in business, I bring no impassioned brief. I know of humor's dangers. Anyway, I've *heard* of them. Certainly, I know its demands.

If this is a plea at all, it is a plea not merely for humor in business intercourse, but for good humor and good-will. An epidemic of either of those will contribute mightily toward making of business a civilized relationship among civilized beings.

Do Your File Clerks Play "HIDE and SEEK"?

Is yours one of those offices where the handling of loose papers results in the loss or misfiling of important records? Are you the one to suffer because of these needless and irritating delays? Such confusion is inexcusable.



INSTALL
ACCO BINDER FOLDERS

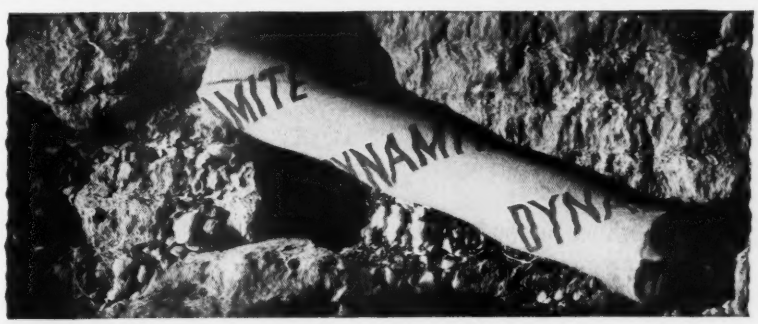
File folders equipped with the inexpensive Acco Fastener keep your papers securely bound and instantly accessible. Easily removed when desired. Neat, compact, safe.

Large industrial organizations, banks and insurance companies demand the highest type of office procedure. They use Acco Fasteners—millions of them! You, too, should have the security and convenience of this simple device.

Write for samples, descriptive literature and name of nearest dealer.

BOUND PAPERS ARE SAFE PAPERS!

ACCO PRODUCTS, INC.
24-02 39th Avenue : Long Island City : N. Y.



PORTRAIT OF LIABILITY

Liability lies around like a loose stick of dynamite . . . on a stairway, a sidewalk, elevator shaft, perhaps a building job. It comes to life—*explodes!*—when an accident happens, injury or damage is done and somebody has to pay judgment rendered by the court to satisfy claims.

Anyone inheriting property at birth is born with liability. A buyer of property acquires it. Contractors have it thrust upon them by doing work for owners. All—and their agents or representatives—are by law responsible for injury or damage to others caused on their property.

When an agent of American Surety or New York Casualty Company solicits liability insurance, he offers to have his company take the risk of loss—bear the brunt of the blast.

PREVENT—DO NOT LAMENT LOSS!

AMERICAN SURETY COMPANY
NEW YORK CASUALTY COMPANY
HOME OFFICES: NEW YORK
Both Companies write Fidelity, Forgery and Surety Bonds and Casualty Insurance

IS BIG BUSINESS GETTING BIGGER?

(Continued from page 36)

For the particular three-year period which could be tested, two points are significant, that gross assets of "all corporations" grew faster than wealth of "all corporations"—which latter was Dr. Means' yardstick—but even so, grew more slowly than gross assets of the 200 largest, which had increased by 28 per cent.

Assets *vs.* Income

Dr. Tucker's fourth challenge was directed at Berle and Means' estimates of the share of corporate income received by the 200 largest from 1920 to 1929. In this he was inferentially joined by Professor Crum, who, while not actually discussing the comparisons themselves, lunged heavily at the bases on which they rested. The heart of the charge in both instances was that Dr. Means had implied that the 200 largest corporations had received the 200 largest incomes.

Dr. Tucker's way of expressing himself on this point was that "large corporations frequently have small incomes, or even deficits. Any calculation that takes that fact into account shows that the incomes of the 200 largest corporations amounted to less than 36 per cent of all corporate incomes in 1929—probably very much less. . . ." Professor Crum likewise had no difficulty in proving from Moody's manuals and the *Statistics of Income* that quite a number of the "terrific 200" had run deficits instead of helping to monopolize the national earnings.

It is rather dubious that such an indefatigable master of research as Dr. Means could have overlooked the fact that some of his pets had fallen down in their task of making money. In technical support of the charge, it must be acknowledged that in certain places in their book Berle and Means spoke of these large incomes as being earned by the 200 largest corporations. By way of example note the third column heading on table III, "Percent by Largest 200 Corporations," in the face of the plain fact that the figures in the column represent the percentage received by the 200 largest earners.

Yet from other passages it is obvious that the authors were aware of the shift in the character of the data they were using, and that the table heading referred to was merely confusing and not a disclosure of error in method. As a matter of fact, in introducing this subject, they refer specifically to "the 200 companies reporting the largest incomes."

It seems better to resume discussion of the income findings on the basis of an assumption that Dr. Means was intending merely to show how heavily corporate income, as well as corporate assets, had become concentrated. From this point of view it matters not at all that these great sums funneled into hands that were not exclusively those of the concerns with the greatest amount of property. It is merely another although equally important form of concentration. And yet even on this higher ground there may be room for mild dissent. If we were to find and worry over the 200 American concerns that are largest in every important respect, our list might fritter out into quite an undistinguished roll call. It might be possible to build up quite different sets of 200 leaders in such vital matters as "number of employees," "gross assets," "value added by manufacture," and "square feet of floor space." In such event we could have a diffusion of achievement that would result in so many "monopolies" as to save us by their own fratricidal wars.

Dr. Means himself emphasized that there were many possible ways of measuring concentration, of which he happened to be using two. While a trifle far fetched for the immediate purpose, this kind of speculation may not be so much less well founded than the unmistakably important fact that corporations great in total assets may be moderately so or not at all in the many individual trade and product areas in which they are obliged to compete.

Puzzles

Perhaps the most disturbing aspect of the entire effort to measure the relative growth of big and small corporations is in the uncertainties that seem to crop up at every turn. That disputes should have arisen was inevitable. Those touching the amount of water in 1909 capitalization and 1924 gross assets tend to throw us away from a measurement of finite bodies and toward one that could well bear the title *A Few Speculative Thoughts on the Effect of Assumed Leverages on Unknown Weights.*

The "leverage" is the allowance to be made for water, if any, and the suggestion of "unknown weights" seems to be pardonably inferred from the comments of Treasury attachés to the author that many of the old capital-stock-and-indebtedness reports possess but little value for practical purposes. The reporting requirement was then a new and novel one, and auditing was poor. We have little here but material for broad impressions. This is Dr. Means' own view of the matter, and he does not regard this particular stretch of his findings as other than reasonably indicative of an unequal rate of growth. This conclusion is not hard to accept. The exact degree of discrepancy will probably remain a mystery for a long time to come.

Late Twenties

The inclusion of railroads and utilities limits the application of even clear-cut findings to practical problems, however provocative of thought in themselves. And in submitting the data on income concentration Dr. Means himself emphasizes that other measures might yield a somewhat different or at least cross-bred crop of giants.

Whatever the actual figures may be, Dr. Means' approximations seem rather definitely to show that growth of the titans in the late Twenties was much more spectacular than in the other periods he selected for his demonstrations. Why was this? Must a conclusive analysis of growing concentration include a search, first for the different motives and, second, the different means which characterized the several phases of growth? In the last analysis public policy may be more concerned with dynamic details than with inert aggregates.

OVER THE EDITOR'S DESK

CONTRIBUTORS . . . COMING IN FUTURE ISSUES

IN CONTRAST to the more restricted experience of many who these days are proposing ways and means to make our economy function smoothly, Blackwell Smith's recent busy years have been spent both in and outside of Washington.

Mr. Smith ("Teamwork for Prosperity"—pages 6-10) was admitted to the New York Bar in 1929 and began practising law with Wright, Gordon, Zachry & Parlin. From 1933 to 1935 he was associated with the NRA, successively as assistant general counsel, associate counsel, acting general counsel, legal advisor to the National Industrial Recovery Board, and general counsel. Since 1935 he has been a partner with his original firm.

GOOD humor does not encompass the misspelling of Lorain, Ohio, we are told by Arthur H. Little (pages 25-27), who entreats us to spell it this way if we include mention of his home town. In Lorain he was for a time a newspaper reporter, and later moved on to be editor, successively, of two business magazines, *Business* and *System*.

From 1929 until just this year Mr. Little was an associate editor of *Printers' Ink*, meanwhile engaging in display and direct-mail work for a number of national advertisers. Though he remains a contributing editor of *Printers' Ink*, he has now set up for himself as an advertising consultant.

MANY readers doubtless know already that Willard L. Thorp (pages 10-12) is not only editor of DUN'S REVIEW and Director of Economic Research of DUN & BRADSTREET, INC., but just now is also engaged in two undertakings in the United States Department of Commerce. There he is in charge of the work being done by the Department for the Temporary National Economic Committee and is serving also as advisor on economic studies for Secretary of Commerce Harry L. Hopkins.

"Changing Distribution Channels" is one part of a speech delivered by Dr. Thorp at the fifty-first annual meeting of the American Economic Association. The second part of that paper—on the rôle played in distribution by chain stores—will appear in the June DUN'S REVIEW.

ALSO in the June number there will be an article surveying the changes which time, the radio, the automobile, and recent trends in education have made necessary in the production and sales policies of the manufacturers of musical instruments.

AND there is planned soon a further report on the DUN & BRADSTREET Research and Statistical Division's survey of taxes paid by business in 1938. Taxes will be related not to sales, as in the preliminary report (DUN'S REVIEW, April, 1939), but to "value added by manufacture"—the actual fund which the business man has available for tax payments, wages, salaries, interest, maintenance charges, and profits, he fervently hopes.

DUN'S REVIEW

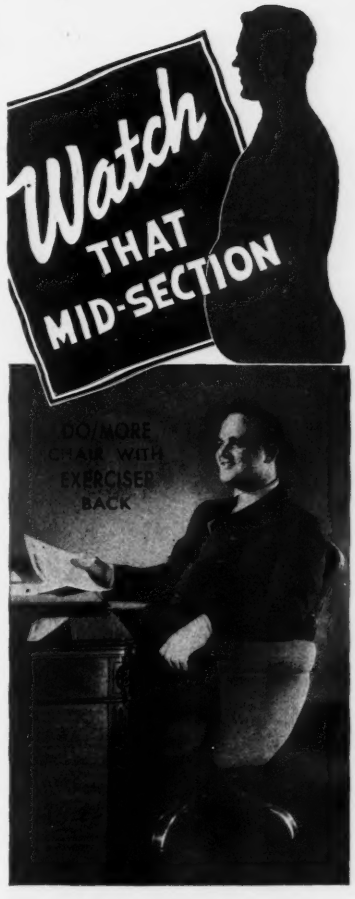
290 BROADWAY NEW YORK, N. Y.

SUBSCRIPTION: $4 a year; $10 for three years; 35 cents a copy. Outside U. S. $5 a year.

Willard L. Thorp, *Editor;* Norman C. Firth, *Managing Editor and Business Manager;* Raymond Brennan, Edwin B. George, Walter Mitchell, Jr., A. M. Sullivan, *Associate Editors;* J. A. D'Andrea, *Statistician;* Clarence Switzer, *Art Director;* H. C. Daych, *Advertising Manager.*

DUN'S REVIEW goes to each company using the services of DUN & BRADSTREET, INC. Service subscribers may obtain additional subscriptions to the magazine for executives, branches, and so on, at special rates. . . . Published monthly. May, 1939, Vol. 47, No. 2133. . . . The contents of this magazine are indexed in the Industrial Arts Index. . . . Member C.C.A. . . . Copyright 1939, DUN & BRADSTREET, INC. Printed in U. S. A.

More detailed breakdowns of those statistical data originally compiled by the publishers—business failures, bank clearings, building permits, and price indexes which are summarized and interpreted each month in DUN'S REVIEW (see pages 46-49)—are published monthly in DUN'S STATISTICAL REVIEW, tables only, no text, $1 a year; $2 outside the United States.



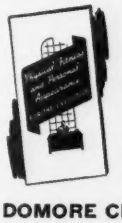
Get Exercise and Relaxation

WITHOUT LEAVING YOUR CHAIR

THE energizing effect of rational exercise needs no comment, but what exercise is rational for men in their prime, and how can it be taken conveniently?

One solution is our planned exercise for the "mid-section" to be taken while seated in our new luxurious executive chair.

Imagine the joy of owning an office chair combining luxurious appearance and comfort with provision for exercise and the encouragement of erect posture.



That's what awaits you in this new DO/MORE Chair,—plus Do/More Educational Service.

"You'll do more in a Do/More."

Send for booklet "Physical Fitness". This will be sent without cost or obligation.

DOMORE CHAIR COMPANY, INC.
515 Monger Bldg., Elkhart, Indiana

DO/MORE

C O N S E R V A T I O N

OUR most important national resource is knowledge. When the bridge over the Niagara Gorge fell, it was of no importance as compared with loss of knowledge of how to build such a bridge. Such wisdom is the accumulation of centuries. The advance of civilization depends not so much on the discovery of new national resources or on improvement of human resources, but rather on the increase of our intellectual resources.

The patent system and the scientific journal make a permanent record of advances in the physical sciences. There is altogether too little of such recording of business discovery. Business could gain tremendously if there were more accumulated experience on business problems—prices, marketing, organization, labor relations, costs, and the like.

Every business man would contribute a great service if he would regard as part of his obligation to society the recording of his experiments, both successes and failures, in some form so that they might become part of our accumulated knowledge. The problem of conservation is not limited to forest and fish. We need to find better ways and means for the conservation of business experience.

Willard L. Thorp

EDITOR